EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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US Making business more competitive Page 5

World News

UN envoy tries to revive Gulf peace talks

A United Nations envoy held talks with senior Iranian officials in Tehran in an effort to breathe life into the stalled peace negotiations between Iran and Iraq. Page 4

Peruvian gas blast

About 150 Peruvian miners were feared dead after an explosion trapped them in a gold mine in Ica province.

Namibia forces cut

Mr Javier Perez de Cuellar, the United Nations Secretary-General, bowed to budget concerns and cut the Namibia peacekeeping force to 4,650 troops from 7,500. Page 4

Argentine surrender

Fourteen civilian commandos surrendered after holding off hundreds of soldiers and police all night at a suburban military base. Page 5

Spanish union talks

Spanish Government representatives and union delegates met in a last-ditch attempt to agree on how to settle differences that led to a general strike last month. Page 2

Angolan reshuffle

Mr Jose Eduardo dos Santos, Angola's President, appointed Mr Pedro de Castro van Dunem as Foreign Minister, replacing Mr Afonso van Dunem in a reshuffle of government and diplomatic posts.

Militia battles

Four people were killed as Shia Moslem militias battled in south Lebanon while their leaders met Syrian and Iranian officials in Damascus to seek an end to the bloodshed.

Israeli raid

Israeli soldiers killed a Palestinian youth in a raid on a West Bank village as security forces cracked down on the "Palestinian Popular Army."

Boeynants ID card

A shadowy group, the Brigade Socialiste Revolutionnaire, claiming to hold former Belgian prime minister Paul Vanden Boeynants hostage for ransom, said he is alive, 10 days after he disappeared. Page 2

Rocket contract

The company that launches Western Europe's Ariane rocket said it will spend $3bn on 50 launchers, the biggest space rocket contract ever.

EC Parliament fight

The foreign ministers of France and Luxembourg said they would use every legal means to fight any transfer of the European Parliament from Strasbourg to Brussels.

Gandhi wins states

After being trounced in the south Indian state of Tamil Nadu by a local party, Mr Rajiv Gandhi's Congress-I party won the small north-eastern states of Nagaland and Mizoram. Page 4

Bundy executed

Ted Bundy, the law school dropout who confessed to killing 20 women, was executed in the electric chair in Starke, Florida for the 1978 rape and murder of a 12-year-old girl.

Sorsa resigns

Finnish Foreign Minister Kalevi Sorsa, the most experienced official in the government, announced his surprise resignation. Page 2

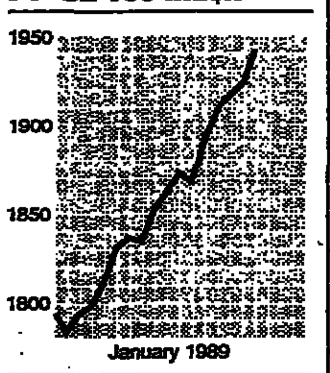
Business Summary

Japan to become top foreign aid provider

JAPAN'S Cabinet adopted a new budget that would make Tokyo the world's top provider of economic foreign aid, increase the nation's defence spending and boost its share of the cost of keeping US troops in Japan. Page 4

CONFEDERATION of British Industry warnings that business optimism is at a two year low served to strengthen hopes in the UK stock market that domestic interest rates may have peaked. In heavy turnover, the FT-SE Index closed at 1941.1, a gain on the day of 16.4 points. Page 33

FT-SE 100 Index



CHINA'S central bank, the People's Bank of China, has raised interest rates in a move to quell inflation and tempt the consumers' cash back into the banks. Page 22

POLAND is negotiating with Fiat to triple the number of cars the Italian company produces there. Poland said it would like to use two existing factories to boost Fiat's yearly output from 200,000 to 600,000. Fiat sales, Page 26

NORSK DATA, Norwegian computer maker, will shed about 800 jobs following the company's first annual loss.

BRUSSELS Bourse saw the first day computerised share trading. Initially only three of some 200 stocks listed in Brussels will be traded on Cats, a Computer Assisted Trading System. Page 37

EUROPEAN COMMUNITY said it would study plans by 14 countries to build a high-speed European rail network but was not sure if it could fund the project. Page 2

DUTCH Government launched the sale of 34 per cent of a state-owned chemicals group, NV DSM, in the biggest stock flotation on the Amsterdam bourse. The offer price of Fl 108 ($52.40) per share will net the state Fl 1.29bn. Page 24

INDUSTRIAL Bank of Japan, leading Japanese bank which last week won membership of the London Stock Exchange, has been warned not to break Japanese rules on the separation of banking and securities business. Page 23

PORSCHE, West German sports car maker which suffered a fall in sales owing to problems in the US, expects much higher profits this financial year, after a further sharp drop in the year to July 31, 1988. Page 23

SWEDISH paper industry increased output by 4 per cent to 8.2m tonnes. Page 2

EXPORT-IMPORT Bank of Japan will direct investment abroad to help promote the recycling of Japan's external surpluses to developing countries. Page 3

EXXON, largest US oil company, reported a decline of 11.2 per cent in fourth-quarter earnings because of weak crude prices despite an otherwise good year. Page 24

MERCK, world's largest pharmaceuticals group, lifted fourth-quarter net income by 32 per cent due to strong demand for its range of new drugs. Page 24

Fed will keep tight rein on growth to control inflation

By Peter Riddell, US Editor, in Washington and Janet Bush in New York

THE US Federal Reserve will continue to "err more on the side of restrictiveness than stimulus" because of its concern with upward pressures on inflation, Mr Alan Greenspan, the chairman of its board, said yesterday.

His comments, made during wide-ranging testimony on the state of the US economy to the House of Representatives banking committee, indicate no change in the Federal Reserve's recent approach. They were seen by the financial markets as implying continued high interest rates and the dollar rose against other leading currencies, which in turn led stocks and bonds higher. The dollar closed near its day's highs in New York at Y127.70 and at DM1.8450.

The dollar had closed earlier in London at DM1.8430 from a close on Monday of DM1.8380, and at Y127.55 against a previous close of Y127.80.

The rally after Mr Greenspan's testimony reversed weakness in the Far East earlier yesterday after Mr Leonhard Gleske, a director of the Bundesbank, said that the West German central bank would prefer a dollar below DM1.80.

The dollar's strength pushed US stocks and bonds sharply higher. Instead of weakening on concerns about higher interest rates, US securities markets have increasingly tended to rise specifically because of faith in the Fed's anti-inflationary resolve.

The Dow Jones Industrial Average surged to a new post-October crash high, closing 38.04 points higher at 2,256.43. US Treasury bonds closed as much as ⅝ point higher, taking the yield on the Treasury's benchmark long bond down to 8.78 per cent.

Mr Greenspan acknowledged that the US trade deficit had stalled temporarily – "an almost inevitable pause in a complex adjustment process" – but he said there was still "momentum on the export side" so that the deficit should resume its decline.

The bulk of Mr Greenspan's testimony was concerned with the dangers of inflation, especially at current rates of unemployment. In relation to the Federal Reserve's strategy of moving towards stable prices, he said: "Current inflation rates clearly are too high and must be brought down."

Reiterating his judgment last year, he said: "The long-run costs of a return to higher inflation, and the risks of this occurring under current circumstances, are sufficiently great that Federal Reserve policy at this juncture might well be advised to err more on the side of restrictiveness than stimulus."

Mr Greenspan was more cautious than the outgoing Reagan Administration about the chances of sustaining economic growth at well over 3 per cent a year without pushing up inflation.

He warned that "if growth were to continue indefinitely at the recent pace, the concomitant tightening of supply conditions for labour and materials would risk a serious intensification of inflationary pressures at some not-too-distant point in the future." The new Bush Administration has so far been less specific in its view of growth prospects.

Discussing in detail inflationary pressures in the labour market, Mr Greenspan noted that "the available evidence points to a high probability of stepped-up wage pressures should unemployment decline significantly further."

Industrial supply and capacity utilisation conditions also pointed to a tightening, with "little doubt that margins of slack have been reduced."

Mr Greenspan said the US dollar was now "at levels where US industry is quite competitive", adding that "containing the pressures on labour and capital resources – while continuing to reduce the external imbalance – will require a slowing in domestic demand."

President Bush held a preliminary meeting yesterday with Congressional leaders to discuss the timetable for budget negotiation after he presents his revised proposals on February 9.

Democrats cautious, Page 5; Editorial Comment, Page 20; World Markets, Section II

Le Portz: sensitive report

Paris looks at reform of exchange regulation

By George Graham in Paris

THE FRENCH Government is considering a far-reaching reform of the stock exchange regulatory authorities. This could bring a move towards a self-regulatory system similar to that laid down by Britain's Financial Services Act.

Mr Yves Le Portz, former chairman of the Commission des Operations de Bourse (COB), the stock market watchdog, has filed a report to the Finance Ministry which is understood to recommend the delegation of disciplinary functions to separate professional organisations, including the stock exchange, the futures market council and the mutual funds association.

While the stock exchange and futures markets have already developed strong professional organisations, the Association des Sociétés et Fonds Français d'Investissement (ASFFI) appears still to have only embryonic structures for regulating mutual funds.

Mr Le Portz was asked to report on the reforms needed in the COB's powers and functions after his replacement as chairman by Mr Jean Farge in July.

His report has become much more sensitive in the wake of the investigation into possible insider trading surrounding the purchase in November by Pechiney, the French state-owned aluminium group, of American National Can of the US.

The investigation has led to political attacks on Mr Pierre Bérégovoy, Finance Minister, and President François Mitterrand.

The President's spokesman yesterday issued a second and stronger denial that Mr Mitterrand had received any kind of report on share purchases by

Continued on Page 22

Third Tokyo minister quits over Recruit

By Stefan Wagstyl in Tokyo

A THIRD Japanese Cabinet minister resigned yesterday over his links with Recruit, the company at the centre of a growing financial scandal.

Mr Ken Harada, director-general of Japan's Economic Planning Agency, resigned after only four weeks in office following newspaper revelations that he had received a donation from Recruit last summer – well after the scandal broke.

His resignation is a severe setback for Mr Noboru Takeshita, the Japanese Prime Minister, in his efforts to restore public confidence in his Government.

The Government does not, however, appear to be in any immediate political danger because of its strong majority and the disarray among opposition leaders, some of whom have also been tainted by the Recruit affair.

However, Mr Harada's departure is likely to intensify calls from business leaders, journalists and academics for a far-ranging reform of the way Japanese politics is funded. Mr Takeshita has already set in train studies of possible changes. Mr Harada's resignation could hasten their eventual implementation.

Mr Harada was chairman of a parliamentary committee formed in November to investigate the Recruit affair. He joined the Cabinet in a reshuffle at the end of last month.

Another minister appointed at the time, Mr Takashi Hasegawa, the Justice Minister, lasted only three days before it emerged that he too had accepted money from Recruit. Previously the affair had claimed Mr Kiichi Miyazawa, the former Deputy Prime Minister and Finance Minister, who quit over his involvement.

The scandal broke last June when it was disclosed that Recruit, a business information group, distributed shares in a subsidiary on favourable terms to leading politicians, government officials and businessmen.

Mr Harada had previously admitted that one of his fund-raising groups had received regular monthly donations from Recruit group companies until November. He said in December these stopped when he became chairman of the investigation committee. However he did not then reveal that Recruit had separately made a much larger gift – estimated at more than Y1m ($7,800) – last summer.

Such corporate donations are legal and normal in Japanese politics. But Mr Harada is regarded as having erred first in continuing to receive money from a tainted company after its misdemeanours became public and second, more seriously, in failing to disclose the full extent of his donations from Recruit.

Mr Koichiro Aino, 60, was named the new director-general of the Economic planning agency last night. Like Mr Harada, he is a member of Mr Takeshita's faction within the ruling Liberal Democratic Party.

Concern on leveraged buy-outs

By Lionel Barber in Washington

STRONG concern was expressed yesterday over the recent wave of corporate leveraged buy-outs in the US by Mr Nicholas Brady, US Treasury Secretary, and Mr Alan Greenspan, chairman of the Federal Reserve.

But in testimony to Congress, which aimed to avoid unsettling the financial markets, both regulators urged caution in devising curbs on leveraged buy-outs (LBOs) and other debt-financed takeovers.

It was a complex question, Mr Brady said, "and we really don't have a solution at this time."

Mr Brady is the first major figure to appear in a series of congressional hearings on LBOs. Highly leveraged financial transactions peaked last year with the planned $25bn buy-out of the RJR Nabisco food company by Kohlberg Kravis Roberts, the Wall Street financiers.

The Treasury Secretary's cautious approach reflects divisions within Congress where some lawmakers are loath to intervene in the marketplace, while others are under pressure from corporations who fear that they could fall victim to debt-financed takeovers.

Mr Brady told the Senate Finance committee that the LBO explosion was largely due to the current US tax code's bias against equity capitalisation in favour of debt. But, echoing Mr Greenspan, he cautioned against correcting this bias by limiting the tax deductibility of corporate interest payments.

He said such a solution would "simply increase the cost of capital to US businesses" and would put corporate America at a competitive disadvantage to foreign corporations which would not be liable to such restrictions.

A more logical approach, he suggested, would be to focus on the overtaxation of US equity by allowing US corporations to deduct a portion of the dividends they distribute. While a scaled-back version of this proposal had failed to survive in the final Tax Reform Bill of 1986, "we should not accept this as the last word."

Continued on Page 22

Soviet earthquake experts criticised

By Quentin Peel in Moscow

AN EARTHQUAKE had been expected in the Tadzhikistan area but nothing was done to prepare for it, the Soviet Union's principal Communist Party newspaper, Pravda, has reported.

The newspaper said the latest disaster "confirmed that we are negligent with regards to construction, and the quality of construction, particularly in villages".

It said there was a complete lack of communication between seismologists and the local geophysics observatory in Gissar, the region hit by the earthquake.

Another observatory in the area had been under construction, but uncompleted, for 10 years, while in Dushanbe work on an observatory had not even been started.

However, several hundred villagers managed to flee their homes before the dwellings were engulfed by a wall of mud caused by the Tadzhikistan earthquake, officials disclosed yesterday.

An entire hillside of mud

Continued on Page 22

Bank defends Equiticorp policy

By David Lascelles, Banking Editor, in London

THE Bank of England rounded on critics of its handling of the Equiticorp affair last night, blaming shortcomings in UK banking legislation for making it possible for the stricken New Zealand company to buy a controlling stake in a UK bank. But it also confirmed that it tried to delay a fraud inquiry involving Equiticorp in order to facilitate the stake sale.

In a detailed comment, the Bank said that the 1979 Banking Act "gave the Bank no powers to object to a change of control" of Guinness Peat, the financial services group of which Equiticorp bought 51 per cent in 1987. Last Friday, Equiticorp called in the receivers after succumbing to its NZ$1bn ($625m) debt burden.

Guinness Peat was the parent of Guinness Mahon, a City of London merchant bank, and critics in the City have suggested that the Bank was remiss in failing to prevent it falling into unreliable hands. The 1979 Act has since been superseded by the 1987 Banking Act which gives the Bank much broader powers to stop undesirable shareholders building up large stakes.

Speaking from carefully drafted notes, a Bank spokesman detailed the sequence of events from the time when Equiticorp first acquired a 24 per cent stake in Guinness Peat in April 1987. Since that date, he said, "the Bank has taken a particularly close interest in Guinness Mahon, because of its concerns about the Equiticorp group."

Although the Bank says it was powerless to prevent Equiticorp raising its stake, it took a much tougher line once the new Banking Act had come into force. "Since then," the spokesman said, "relying on these powers the Bank has progressively obtained tighter commitments and undertakings from Equiticorp to ensure the independence of the management of Guinness Mahon and that it incurs no exposures to the rest of the Equiticorp group."

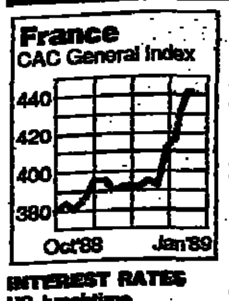
In particular, the Bank told Equiticorp that it would have to sell the stake last year. But shortly afterwards the Bank received an anonymous packet of documents which suggested that Equiticorp had been trying to support the Guinness Peat share price in order to sustain the value of its investment. The Bank promptly made them available to the Securities Association, the International Stock Exchange, the Takeover Panel and the Department of Trade.

As a result, the Serious Fraud Office initiated an inquiry. But this coincided, the Bank said, with the climax of negotiations to sell the Guinness Mahon stake. The spokesman continued: "In November the Bank asked the Serious Fraud Office if it would be prepared to delay its inquiries for a short period as negotiations for the sale of Guinness Mahon had reached an advanced stage. The negotiations later broke down and the Bank withdrew its request."

The Bank declined to comment on the allegations of improper share dealings, but the spokesman confirmed that Guinness Mahon was not involved in them.

MARKETS

France CAC General Index



STERLING
New York close
$1.7690 (1.7760)
London:
$1.7695 (1.7735)
DM3.2600 (same)
FFr11.0950 (11.0975)
SFr2.7625 (same)
Y225.75 (226.75)

DOLLAR
New York close
DM1.8415 (1.8310)
FFr6.2675 (6.2315)
SFr1.56075 (1.5490)
Y127.675 (127.45)
London:
DM1.8430 (1.8380)
FFr6.2700 (6.2575)
SFr1.5610 (1.5575)
Y127.55 (127.80)

INTEREST RATES
US lunchtime
Federal Funds 9⅛% (same)
3-mth Treasury Bills: yield: 8.5% (8.51)
Long Bond: 102⅞ (101⅞)
yield: 8.775% (8.85)
London
3-month interbank: close 13$\frac{1}{16}$% (13$\frac{1}{16}$)

STOCK INDICES
New York close
Dow Jones Ind. Av. 2,256.43 (+38.04)
S&P Comp 288.49 (+3.99)
London:
FT-SE 100 1,941.1 (+16.4)
World: 142.24 (Mon)
Tokyo
Nikkei Ave 31,557.68 (+224.80)
Frankfurt
Commerzbank 1668.4 (+17.1)

OIL
Brent 15-day (Argus) $16.80 (+0.05) (Feb)
West Tex Crude $17.725 (+0.07) (March)

GOLD
New York latest
Comex Feb $406.3 (409.0)

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Gadaffi replaces green book with green perestroika

The Libyan leaders assault on the state's institutions is not new - but it does coincide with an improvement in Libya's relations with its neighbours Page 4

EUROPEAN NEWS

Bush mends US fences with Bonn

By Lionel Barber in Washington

PRESIDENT George Bush has moved swiftly to defuse tensions with the Bonn Government over the role of West German companies in building the Rabta chemical plant in Libya.

In a telephone call to Chancellor Helmut Kohl, he thanked him for his efforts to block the export of chemical weapons technology. In response, Mr Kohl promised to investigate charges against West German companies fully.

But the new Administration's desire to end the war of words with Bonn over Rabta faces a challenge from Congress, where Republican leaders plan to introduce legislation soon which would bar foreign companies from exporting to the US if it were determined that they knowingly helped spread chemical weapons.

Lawmakers intend to target West Europeans companies involved in helping Libya build what the US says is a chemical weapons plant.

Mr Bush, aware that Mr Kohl faces more important political challenges at home, particularly over modernisation of Nato nuclear weapons, is anxious not to weaken his domestic standing. Officials have calculated that little is to be gained by putting more public pressure on the Bonn Government over the Rabta plant.

In a telephone conversation on Monday, one of several he held with foreign leaders, Mr Bush thanked Mr Kohl for his "determination" to block export of chemical weapons technology. He also expressed regret about several US newspaper editorials which had criticised Mr Kohl's government harshly.

Washington's pressure tactics – notably a New Year leak identifying a West German company Imhausen-Chemie as a leading player in the design and building of the plant – forced Bonn to investigate charges which it first dismissed as baseless.

East bloc general admits tank superiority

By William Dullforce in Geneva

A SOVIET general acknowledged yesterday that the Warsaw Pact had a twofold advantage in tanks over Nato in Europe but contended that the Western alliance had 1.5 times more attack aircraft and twice as many combat helicopters in the area. The Warsaw Pact armed forces numbered 3.5m against 3.6m in Nato, he added.

As for artillery – in which Nato claims the Warsaw Pact has clear preponderance – Col-Gen Nikolai Chervov said it was "a debatable issue". The state of the infrastructure and the quality of many types of weapon favoured Nato.

Gen Chervov gave this foretaste of the Warsaw Pact's assessment of the balance of forces in Europe, which it has said it will make public before the end of January, at a seminar on conventional disarmament in Europe organised by the UN Institute for Disarmament Research.

The US said last month said that even after the unilateral troop reductions that have been promised by Mr Mikhail Gorbachev, the Warsaw Pact would have a 2.9-to-one advantage in the number of divisions and a 2.18-to-one advantage in tanks.

The counts form a preliminary to the Conventional Stability Talks (CST) between the 23 countries of the two alliances due to start in March.

The 2,000 tanks in the six tank divisions to be withdrawn from East Germany, Czechoslovakia and Hungary under Mr Gorbachev's promised cuts would be disbanded, not redeployed elsewhere, Gen Chervov said.

The divisions remaining on the territory of Soviet allies would lose 3,300 new tanks, about 40 per cent of their strength. Soviet sudden attack capability would be drastically curbed by the removal from these forces of landing-assault and landing-crossing formations.

Gen Chervov repeated the Soviet proposal for a three-stage approach to arms reduction in the CST: first, eliminating the imbalances; second, reductions of 25 per cent by each side; third, reaching a situation in which each side retained forces adequate for defence but not for attack.

However, other scenarios could be envisaged, such as starting right away with equal-percentage cuts or reaching agreement first on a "defensive minimum" from which the two sides could move to the "necessary reductions."

Among his other suggestions were a decrease in the concentration of forces to an agreed level within the zone of contact between the two alliances; setting up a nuclear-free corridor; establishing nuclear and chemical weapon-free zones in Europe; and beginning consultations on curbing naval activities.

Greek legal protest over shooting

By Andriana Ierodiaconou in Athens

GREEK PUBLIC prosecutors and judges are to boycott the courts for 10 days and two days respectively in protest over the killing on Monday night of Mr Anastasios Vernardos, a Supreme Court prosecutor. It was the third terrorist attack against a member of their profession in less than a fortnight.

Outrage about the murder was heightened by reports that Mr Vernardos, whose name had appeared on a potential terrorist "hit list" in the past, had asked for but been refused special protection.

The first assassination of a public prosecutor in Athens, claimed by the "Anti-State Struggle" organisation, occurred in 1985. The recent spate of attacks, on January 10, 18 and 23, have raised questions about possible links between the various terrorist groups operating in Greece.

They have also underscored the fact that in Greece's 14-year history of urban terrorism the police have failed to discover any substantial information on the identity of the people involved.

Responsibility for the murder of Mr Vernardos, who was shot at close range outside his home by two gunmen who fled on a motorcycle, was claimed by the "May First" organisation. This group made an unsuccessful attack on the head of Greece's trade union congress in June, 1987.

Police disclosed yesterday that the same gun was used in both attacks, and the same typewriter in the letter claiming responsibility. By contrast, the two previous assaults on public prosecutors appeared intended only to injure.

Responsibility for both attacks wa claimed by "November 17" the urban terrorist group which killed the local head of the US Central Intelligence Agency in Athens in 1975.

De Mita battles to head off unions' tax protest

By John Wyles in Rome

THE ITALIAN Prime Minister, Mr Ciriaco De Mita, and his senior colleagues were struggling last night to dissuade union leaders from calling a four-hour general strike next Tuesday in a protest over recent tax reforms.

The three main Italian union confederations, the CGIL, the CISL and the UIL, claim the measures are too easy on tax evaders and avoiders, fail to tax capital gains and do not meet the government's promise to compensate for fiscal drag (the tendency for revenues to rise in a growing economy) from the beginning of next year.

The unions are expected to reply to the government's proposals today. They know they have hit on a popular issue among employed people resentful of widespread tax evasion among the self-employed and small businessmen. In a television advertisement yesterday the unions claimed evasion was costing the government L100,000bn a year, not much less than the public sector deficit.

The strike call has come as political parties are anxious to consolidate their electorates in the run-up to the European Parliament elections in June.

Since the CISL, the second largest confederation, has a large Christian Democrat membership and the third largest, the UIL, is allied to the Socialists, the two dominant parties in the governing coalition are sensitive to union pressure. Both are also hoping to take votes in June from the opposition Communist Party, which dominates the CGIL.

The strike threat has caused disarray in the government's ranks. In recent days the Socialist Party has proposed a list of concessions close to union positions. Ministers say that any deal with the unions should not worsen the already parlous condition of public finances.

Ministers say they are ready to consider taxing financial income in line with proposals expected from the European Commission. These were discussed at a meeting between Mr Emilio Colombo, the Finance Minister, and Ms Christine Scrivener, the Commissioner for tax affairs, in Rome yesterday. Mr Colombo revealed afterwards that Mrs Scrivener was thinking in terms of proposing a minimum tax in the Community on interest income of between 10 and 15 per cent, "with a strong disposition towards 15 per cent."

A new clue to the fate of the former Belgian Prime Minister Paul Vanden Boeynants (above) emerged yesterday when a Brussels newspaper received an apparently genuine letter from his captors, Tim Dickson reports from Brussels.

The letter, sent to Le Soir by the "Revolutionary Socialist Brigade", contained a message from Mr Vanden Boeynants, and his identity card. Police authenticated both items.

His abductors wrote: "He is alive and will admit his guilt. He will appear free when our demands have been met".

Mr Vanden Boeynants' note said that after his release he would make a big donation to the poor.

Commission urged to pay for new rail network

By William Dawkins in Brussels

THE railway organisations of 14 European nations yesterday called on the European Commission to help fund an ambitious Ecu90bn (£57bn) high speed rail network.

The network will include 30,000km of new or updated line, capable of carrying trains at more than 250km per hour (155mph) between most major European cities from Athens to Stockholm, and halving travel times on the best equipped routes. The railway bodies involved can raise most of the cash needed from national public and private funds and are already building or operating 3,000km of high speed lines, representing Ecu15bn of investment.

But they need an as yet unquantified amount of EC help for strategically important but unprofitable links.

"The main problem will be completing links which are not viable on their own," said Mr Bob Reid, chairman of British Rail, and head of the Community of European Railways. The consortium was formed to lobby for the interests of companies from the 12 EC member states plus Austria and Switzerland. These so-called "missing links" include trans-Alpine connections from northern Italy to Austria, Switzerland and France, across the Pyrenees, and between Denmark and Sweden. "Better communications will end the isolation of regions with economic problems," said Mr Reid.

Mr Karel Van Miert, the Transport Commissioner, said the Brussels authorities would study the plan with interest, but he was unable to indicate whether Brussels might commit funds at this stage. Options included using the Commission's name to raise bank finance or earmarking cash from EC regional funds.

The consortium points to the overcrowding of Europe's airspace and roads, and estimates that traffic jams waste up to 3.1 per cent of GDP through the time and energy lost in traffic jams. It calculates that the Ecu90bn investment needed would absorb just 0.1 per cent of European GDP or 10 per cent of average infrastructure investment between now and the completion deadline of 2010.

Delors optimism

BRINGING down frontiers between the European Community's 12 member states could help combat fraud if governments work together, EC commission president Jacques Delors, said yesterday, Reuter reports from Brussels

Mr Delors apparently answered reservations by British Prime Minister Margaret Thatcher about EC plans to introduce a single internal market in 1992.

Last-minute rush to be nominated in Soviet election

By Quentin Peel in Moscow

NOMINATIONS for candidates in the Soviet Union's first attempt in recent history to hold contested national elections closed last night in a flurry of efforts to get committed reformers on to the lists.

No instant figures were available on the number of candidates competing for the 2,250 seats in the new Congress of Deputies, a super-parliament intended to preside over Mr Mikhail Gorbachev's political reform process.

Critical press reports suggest widespread confusion at the complex process, and anger at local authorities attempting to keep out outsiders.

Only when full details are released will it be possible to see how many seats will have genuine multi-candidate elections, but already it seems that Mr Gorbachev's "democratisation" falls well short of a genuinely open process of selection.

However, in Moscow last night there were urgent efforts still under way to ensure that leading supporters of the perestroika process are put forward.

Some 300 representatives of the co-operative movement, apparently denied the chance to elect their own list of deputies because they have no "all-union" federation, held an emergency congress to create just that.

Yesterday, they appealed to the central election commission, and Mr Gorbachev himself, asking for the Council of Co-operatives to be registered, and 13 candidates for deputy to be noted.

They included several of the key perestroika economists, including Dr Leonid Abalkin (already put forward by the Communist party central committee), Dr Gavriil Popov, and Mr Nikolai Schmelev.

One confusing element is that some prominent figures have been proposed in several constituencies, meaning they will have to decide where to stand.

It is still unclear whether Moscow will get the extraordinary contest between Dr Andrei Sakharov, the human rights campaigner, Mr Vitaly Vorotnikov, top member of the politburo and president of the Russian Federation, and Mr Boris Yeltsin, former Moscow Communist Party chief, expelled from the politburo for excessive radicalism. Dr Sakharov's determination to stand is clear, but his rivals could choose to contest an easier seat.

Another key meeting last night was being held to nominate Mr Vitaly Korotich, editor of the outspoken weekly magazine Ogonyok, for one of the individual Moscow constituencies. The last attempt to do so was broken up by supporters of the neo-fascist Pamyat group of Russian nationalists.

The nomination process has brought sharp criticism of many public organisations including the central committee of the Communist party itself – for apparently seeking to impose their candidates for deputy from above.

The next stage in the election process is for local "constituency election commissions" to consider the lists of nominees, and where more than two have been nominated, to decide if all should stand. That process seems certain to stir up new controversy.

Spanish minister cancels Rabat trip over interview

By Tom Burns in Madrid

MR Francisco Fernandez Ordonez, Spain's Foreign Minister, yesterday cancelled a visit to Morocco due next week apparently angered by remarks made by King Hassan II in a Madrid newspaper interview.

Spanish officials said that the minister's tight EC programme, given Spain's presidency of the Community, had caused the cancellation. The development was nevertheless seen as a new low in the frequently strained relations between Spain and Morocco.

King Hassan was quoted in the Madrid newspaper El País as comparing the national liberation struggle of the Polisario Front in the Western Sahara, a former Spanish colony occupied by Morocco, with the Basque separatist group ETA fighting Spanish security forces.

Mr Fernandez Ordonez said the comparison was "inadmissible." He was also allegedly upset by King Hassan's accusation that his approach to Spanish-Moroccan relations was "scarcely imaginative".

Diplomacy between the two nations has been uneasy since last November when King Hassan cancelled an official visit to Madrid at the last minute. The cause of Morocco's anger was Spain's endorsement of a United Nations vote on ethnic rights in Western Sahara.

Spanish public opinion is sensitive to tensions with Morocco because of the enclaves of Ceuta and Melilla on Morocco's Mediterranean coast which are governed and garrisoned by Spain, but are claimed by the Rabat government.

Officials said that no new date had been fixed for Mr Fernandez Ordonez's trip to Morocco and speculation that King Hassan might stage a visit to Spain in March was dismissed by the officials as premature.

Prague and Budapest clash over police tactics

By Leslie Colitt in Berlin

HUNGARY and Czechoslovakia have clashed over the recent police suppression of dissent in Prague and the pace of political reforms in Hungary.

The quarrel broke into the open after a recent meeting between senior Czechoslovak Communist officials and Mr Janos Berecz, a member of the Hungarian Politburo. Mr Berecz told the Hungarian media that the two sides differed sharply over "human rights."

Asked whether the "police intervention" in Prague last week led to disagreement, Mr Berecz replied that this was "*definitely*" so.

The Hungarian party believed human rights had to be "practised and managed with the appropriate legislation." The Czechoslovak party believed that any demonstration not planned and approved in advance "disrupted and weakened" the system.

Mr Berecz said that, compared with discussions held 18 months ago, the Czechoslovak officials were "more wary" of political developments in Hungary. There was a bigger question mark in Prague over the direction Hungary was taking and whether the reforms could be guided and kept in hand.

EC tells Belgium to change TV rules

By William Dawkins in Brussels

FLEMISH attempts to curb the showing of non-regional television programmes in northern Belgium are due to run into severe interference from the European Commission.

In the next few days, Mr Martin Bangemann, the new EC Commissioner for the internal market and industry, will demand that the Flemish regional authorities lift allegedly illicit restrictions on television programmes not made in the region.

A stiffly worded letter to the Belgian Government maintains the restrictions contravene EC rules outlawing restrictions on the freedom to provide services across Community frontiers.

The stakes are high because Belgium is one of Europe's most highly cabled countries, with about 40 different television distribution companies.

This dispute was triggered by a Flemish regional government decision two years ago imposing tight conditions on programmes for transmission in the region, which provoked a complaint to the Commission by the region's socialist party.

The regional decree effectively reserved all transmission rights to BRT, the publicly owned Belgian network and VTM, a recently formed private consortium of Flemish publishing groups.

The regulations stipulated that any privately run channels shown in the region must contain at least half Flemish programme content and at least 50 per cent Flemish owned to be allowed to transmit programmes in the region, a condition fortuitously fulfilled by VTM but no serious competitor.

If the curbs on competition *are not dropped, the Commission* could declare Belgium has failed to live up to its EC obligations.

Finland's Foreign Minister quits in favour of party chief

By Olli Virtanen in Helsinki

MR Kalevi Sorsa, Finland's Foreign Minister the country's most influential politician, resigned yesterday in a surprise move that is aimed to make room in the cabinet for Mr Pertti Paasio, the Social Democratic Party chairman.

After resigning on February 1, Mr Sorsa, 58, will assume his position as member of the board at the Bank of Finland, the central bank. He will also continue as member of parliament where he is expected to be elected as speaker when the new parliamentary session begins in February.

Charter 77 activist may be charged for laying flower

By Judy Dempsey in Prague

A LEADING member of Charter 77, the Czechoslovak human rights movement, was yesterday accused of hooliganism after laying a flower last week at the statue of St Wenceslas in Prague.

Mr Sasha Vondra and Mrs Dana Nemcova, a Charter spokeswoman who was similarly accused, could be sentenced to two years in jail if *formally charged.*

Mr Vaclav Havel, the banned playwright and leading Charter member, was expected to be charged with "preparing an unauthorised gathering". If he is sentenced, it could well spark off more demonstrations.

Most unusually, all three have received support from workers. Some 25 employees of the CKD engineering plant in Prague yesterday sent a postcard to Mrs Nemcova saying: "We shake your hand. The *majority of the nation is with* you, but fear is still winning. Long live Czechoslovakia."

Swedish paper output rises 4%

By Maggie Urry

THE SWEDISH paper industry increased output by 4 per cent last year to 8.2m tonnes, according to Mr Bo Wergens, director-general of the Swedish Pulp and Paper Association. Capacity utilisation had been 95 per cent.

More than three-quarters of the paper and board production (6.4m tonnes) is exported, with Britain the largest customer, taking 22 per cent. Total sales to the UK rose 13 per cent, to 1.4m tonnes, with a 29 per cent rise in newsprint. Total UK consumption of paper and board rose by 8.5 per cent to 9.5m tonnes in 1988.

Speaking in London, Mr Wergens said Sweden's 400,000 tonnes of newsprint sales to Britain gave it about a quarter of the UK market, although domestic producers had not lost market share.

The outlook for paper and board worldwide this year was good, he said. Consumption rose 5 per cent in 1988 to 226m tonnes.

The forest products industry is Sweden's largest foreign currency earner. However, the balance of profitability was shifting from paper makers to pulp manufacturers, he suggested. Pulp prices last year rose by 20 per cent in dollar and D-Mark terms, or between 12 and 15 per cent in other currencies including sterling and Swedish krone. This exceeded the rate of price increases for paper.

The pulp market is bordering on a shortage. Mr Wergens said that stocks of pulp "are at the lowest level for 25 years". The Swedish industry produced 10.4m tonnes last year; 4m tonnes were exported.

Amnesty assails rights abuses in East Germany

By James Blitz

EAST GERMANY was criticised yesterday for human rights abuse in a report published only a week after it signed the final document of the Conference of Security and Co-operation in Europe (CSCE).

The Amnesty International report says East Germany's vaguely defined laws and its system of secret trials "make it possible for the authorities to penalise almost any activity of which they disapprove."

The country, which has rejected the trend in the Eastern bloc towards greater openness and political tolerance, has used sweeping laws to confuse dissidents and, if deemed necessary, to arrest them, it claims.

The report also criticises those articles in the East German penal code which make contact with foreigners and the collection of information *punishable offences.*

Communist party officials deny there are political prisoners in East Germany. They argue that those considered political prisoners by the West have been convicted for criminal offences such as "vilification of the state".

Cheapest phone bills in France, study shows

By Hugo Dixon

FRANCE has by far the lowest telephone prices of Europe's four main economies, according to the UK's Office of Telecommunications.

The Oftel study, published yesterday, examines the cost of an average telephone bill for business and residential customers in France, Italy, Britain and West Germany. In this way, it aims to avoid misleading comparisons which would result from looking at a single type of call, such as local calls.

Oftel said France was the cheapest country for both business and residential customers at the start of this year. The UK came second.

Using a benchmark of 100 for the UK, Oftel calculated that business phone costs in Italy were 122, in Germany 106 and in France only 85.

The figures exclude value-added tax. VAT on telecommunications services is 15 per cent in the UK, 18.6 per cent in France, 18 per cent (business) and 9 per cent (residential) in Italy, and non-existent in West Germany.

Cherubic communist who mobilised Spain's unions

Antonio Gutierrez may be digging the Socialists government's grave, says Tom Burns

CHERUBIC-looking Mr Antonio Gutierrez, 38 years old, a Communist Party member since his teens and general secretary of the Spain's Comisiones Obreras (CCOO) trade union for just over a year, is hailed by his supporters as the confident and militant new face of Spanish trade unionism.

In the aftermath of December's 24-hour general strike, largely *engineered by the* CCOO, there are also some who see Mr Gutierrez as the man who may dig a grave for Mr Felipe Gonzalez's six year old socialist Government.

An articulate television performer who exudes sincerity, Mr Gutierrez has ably channelled grass roots discontent at a government that millions of strikers last December 14 perceived as highhanded and unwilling to manage more equitably the fruits of Spain's economic boom.

Just as skilfully he has driven a wedge between the socialist Government and its trade union arm, the Union General de Trabajadores (UGT). Mr Gutierrez has nudged Mr Nicolas Redondo, the veteran UGT leader, into open confrontation with the Prime Minister and has forged the formerly rival unions into an unprecedented alliance against the Government.

The two unions have in the past month spent more than 20 hours in three separate meetings meetings negotiating with the Government but the talks have so far only served to *harden the bargaining positions* of the two sides. Unions leaders and government ministers embarked on a fourth round of marathon talks last night but few held out hope of an agreement. "Gutierrez and Redondo are not budging," said a *senior government official.* "They are acting as if they were still living the day after the strike, they are riding the crest of a wave."

Already a chastened Mr Gonzalez has had to shelve a keynote youth *employment* scheme that was opposed by the unions as a mechanism for employing cheap labour and he has said he is willing to meet the UGT and the CCOO to discuss greater unemployment benefits, higher pensions and raised public sector salaries.

Gutierrez: exuding sincerity

However, Mr Gutierrez is *unlikely to be satisfied* for long by piecemeal measures and he is on his guard against cosmetic concessions. The CCOO general secretary raises issues that are not normally placed on the negotiating table by other western European labour leaders: "The strike, as it turned out, was not a confrontation between the unions and the Government but between society and the whole system."

He believes that the strike underlined a gulf between the Spaniard in the street and the mechanism of power that has been consolidated in the decade long post-Franco transition. "Spain is Europe's youngest democracy and Spaniards don't want a state marked by inertia and sclerosis."

The CCOO leader's soft speaking manner belies firmly held opinions which include a conviction that democracy is about power-sharing and a redistribution of wealth. What the stoppage did, he claims, was to highlight a profound frustration with a progressive party that was elected by an overwhelming majority in 1982 on a slogan of *por el cambio* – for change. "Instead of conquering power, Gonzalez was captivated by it and he has lost all his integrity in the process," Mr Gutierrez says.

Born the son of a farm labourer in Orihuela, a south-eastern agricultural market town, Mr Gutierrez was delivering flour to bakeries at the age of 12, left home to become a porter at Madrid's main fruit market when he was 16 and was organising the CCOO in the northern town of Valladolid, home of a major Renault factory, when he was 25.

Last year Mr Gutierrez, who had graduated to become the CCOO spokesman, was elected to succeed Mr Marceliono Camacho, the retiring general secretary and legendary Spanish labour leader who spent 20 odd years in labour camps, prisons and houses arrests during Francoism.

He artfully exploited the UGT's growing disenchantment with the Socialist Party's conservative economic policies, something Mr Camacho singularly failed to do and gained unreserved endorsement for the general strike from Mr Redondo's, the UGT leader.

The CCOO-UGT alliance was a considerable achievement for Mr Gutierrez and it ensured the success of the stoppage. The CCOO leader now believes that a lasting rift has opened between the Socialist Party and its erstwhile fraternal union and there will be continued close co-operation between the UGT and the CCOO.

Mr Gutierrez is being tempted to cross the Rubicon into parliamentary politics. Some analysts believe that were he to lead the Communist party's ticket in the next general elections he would make considerable inroads on the socialist majority.

But the CCOO leader says he is determined to stay working in the labour movement. This decision reflects his view that it is simpler to shift politics to the left in Spain through effective strike actions and firm negotiations than through a "system" that, in his view, "represents an official Spain, not the real country."

Mr Gonzalez's political death certificate may lie in the distant future but Mr Gutierrez, cast in his grave diggers mould, issues a serious warning to the prime minister: "Gonzalez would be committing an historic error if he underestimates what the Spanish people wants and the power of the trade unions."

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US telecom trade joins list of transatlantic rows

By Nancy Dunne in Washington

US differences with European governments over market access for American telecommunications exports have joined the lengthening list of highly combustible transatlantic disputes.

Before leaving office last week, Mr Clayton Yeutter, the US Trade Representative, complied with a provision in the last year's Omnibus Trade and Competitiveness Act by targeting the EC and South Korea for market opening talks and potential retaliation, according to industry sources.

Mrs Ella Krucoff, the EC spokesman, expressed the Community's "regret" and noted that it was "the first example of the unilateral application of the Trade Act".

Under the Trade Law, Mr Yeutter had five months to investigate telecommunications trade. His successor has until February 18 to notify Congress and make the list of countries official. Negotiations could then last from one to three years.

Failure to make progress can result in a wide variety of sanctions, including tariffs and quotas. Some industry officials are urging the Administration to deny access to the US government procurement market to countries which restrict US telecommunications trade.

Both the EC and South Korea have for years been engaged in telecommunications trade talks with the US government. A Chamber of Commerce task force, which advised the Trade Representative, recommended targeting only South Korea and France for immediate action.

However, the EC was likely to have been named instead because it negotiates for its members on trade matters. In all, the Chamber of Commerce named 10 countries it said had been the objects of industry concern.

Besides South Korea and France, they include: Japan, West Germany, Brazil, Canada, Italy, Mexico, Spain and Sweden.

Progress, admittedly slight, with West Germany and Japan caused the chamber to strike the two nations from its proposed list of countries requiring immediate action.

Legislation has been introduced in West Germany which would open its market, and Japan has slowly increased imports while making several commitments.

Mr Bruckman, a Chamber executive, said the industry does not view the Trade Representative's list as "a one-shot decision". Markets will be closely monitored, and if they do not open up, they can be added to the list at any time.

GEC may be picked for Turkish defence deal

By David White, Defence Correspondent

GEC-MARCONI of the UK is on the point of being selected by Turkey for negotiations on a contract for supplying high-frequency army radios worth about £30m, according to defence industry experts.

The deal, expected to be discussed by Mr Ercan Vuralhan, Turkish Defence Minister, who arrived in London last night, would be linked to the setting-up by the UK group of a joint electronics manufacturing venture in Turkey, as part of the country's effort to build up a defence industry.

GEC-Marconi declined comment yesterday on the state of negotiations. Curiously, competition for the deal has pitted all three companies involved in the GEC/Siemens bid for the Plessey group against each other.

The contract would involve the Marconi's Scimitar H secure tactical radio. The UK company has already set up a subsidiary, Marconi Istanbul, in which the Turkish share would be built up to 50 per cent.

GEC-Marconi is also competing for a contract worth up to £200m to supply electronic warfare equipment for Turkish F-16 fighter aircraft, against Loral of the US. Westinghouse, due to supply stadard equipment for US Air Force F-16s, is an outside contender.

British Aerospace was recently eliminated from a contest for manufacture in Turkey of low-level air defence systems.

Mr Vuralhan is due to meet Mrs Margaret Thatcher, the Prime Minister, and Mr George Younger, Defence Secretary, before leaving for West Germany on Friday.

Bush faces key decision on takeover bid

Peter Riddell on a new law restricting foreign takeovers of US companies

AS FAR little-noticed aspect of last year's Omnibus Trade Act now presents President Bush with one of his first decisions, which could have far-reaching implications for foreign companies seeking to invest in the US.

The act strengthened the powers of the President to block foreign takeovers of US companies, and this is now being tested by the proposed sale of Monsanto Electronic Materials, the sole major US-owned producer of silicon wafers, to Huels of West Germany.

President Bush now has 15 days to decide whether to allow the takeover to go ahead, after receiving a recommendation just before last Monday's deadline from an inter-agency group known as the Committee on Foreign Investment in the US (CFIUS).

This committee emerged in its current form from an involved process of bargaining between the Administration and Congress over the trade legislation. The committee was initially created under an executive order of the Nixon Administration following an earlier wave of concern over foreign takeovers of US assets. It had an essentially advisory role in looking at takeovers involving defence and national security implications.

But it had little impact and was largely toothless, according to Mr Joseph Dennin, now Monsanto's lawyer and formerly an assistant secretary at the Commerce Department in the Reagan Administration.

The Administration already had powers to block foreign takeovers of television stations and nuclear power plants. While there were existing Pentagon review procedures for defence-related deals, the president could otherwise only stop a foreign takeover if it violated antitrust laws or in case of national emergency.

The issue resurfaced, however, in 1987 with the proposed takeover by Fujitsu of Japan of Schlumberger's Fairchild Semiconductor Corporation operation. After considerable controversy this deal was abandoned but it led to the insertion into the trade bill of proposals tightening controls on foreign takeovers. In particular, there was the Exon-Florio amendment (named after the two Democrat sponsors) which extended presidential powers to block foreign takeovers.

The original form of the bill

President Bush now has 15 days to decide whether to allow Huels to take over Monsanto Electronic Materials, the sole major US-owned producer of silicon wafers

agreed by Congress included provision for banning such deals because of their effects on "essential commerce." However, in an agreement with the Administration, these words were dropped and bans were limited to national security grounds. This was an intentionally broad definition to be interpreted by the president.

The modified version of Exon-Florio was agreed by the Administration in preference to a proposal requiring foreigners holding 5 per cent or more of any US property with assets of $5m or more to register with the Commerce Department. As with so much else in the Trade Act, the foreign investment provisions left open several questions of practical implementation which are now being resolved in the Monsanto case.

The Treasury Secretary has been designated to chair the reviews by the committee, although, in practice, it is chaired by Mr David Mulford, the under secretary for international affairs. The membership has been extended to include representatives of the Office and Manpower and Budget and the Justice Department as well as the previous list of Treasury, Defence, State, Commerce, the Special Trade Representative and the Council of Economic Advisers.

A number of the procedures of the 30 day statutory period for inquiry have been devised as the review has proceeded. Representatives of the companies involved, for example, are able to meet key officials but not to appear before the full committee.

The procedure is for the committee to make a recommendation to the president with divergent views duly recorded. In this case, there has been clear majority backing on the committee for the deal. But the Defence Department has expressed some reservations on national security grounds, while the Commerce Department has voiced the stronger worries of the US semiconductor industry about increased US dependence on foreign suppliers.

Huels has provided assurances that research and development facilities will remain in the US, and about technology transfers overseas, and these appear to have dealt with almost all the earlier doubts of these two departments. Ahead of the presidential decision, the signs are that the new procedures are being used to provide fuller scrutiny of the national security implications rather than a covert attempt to block foreign purchases of US companies: though there remains considerable concern in Congress over the scale of such takeovers.

Mexican investment authorisations fall by 20%

By Richard Johns in Mexico City

A 20 per cent decline of total foreign investment authorisations given by the Mexican Government in 1988 to $3.1 bn (£1.7bn) compared with $3.8 bn in the previous year is attributed by diplomats largely to suspension of the debt/equity swap programme in November 1987.

Most dramatic was the 52 per cent fall, from $2.67 bn to $1.19bn, in the value of US applications approved by the Ministry of Commerce and Industry (Secofi).

By contrast, authorisations for British investment amounted to $770m, at nearly 25 per cent of the total for 1988, a sharp jump from the $430.9m or 11 per cent in 1987, according to preliminary figures from the National Foreign Investment Commission (CNIE).

The amount of UK approvals would have been larger if the debt/equity programme was still in operation. The go-ahead for two luxury hotel projects valued at about $250m involving Trafalgar House and backed by Barclay's Bank is contingent on the revival of "swaps".

The scheme whereby a foreign company could purchase Mexican sovereign debt at a discount and exchange it at face value of pesos for investment purposes was suspended because it was reckoned inflationary.

In a year and a half it was responsible for $1.3 bn in Mexican debt retirements.

With cumulative approvals of over $1.7bn (not all of which would necessarily be translated into actual investments), the UK has now edged ahead of West Germany and Japan.

Mr Jaime Serra Puce, Minister of Commerce and Industry, gave little clue as to what future policy might be.

He agreed "not all 'swaps' had an inflationary impact". The problem was to define those which did not.

"The feeling is that macro-economic stability, economic certainty and clear regulations govern the pattern of foreign investment more than a specific discount mechanism such as swaps."

The general assumption is that the scheme will be reintroduced on a limited scale when inflation is reckoned under control. New investment rules are being drawn up.

Apart from in-bond industries, the legislation limits foreign ownership to 49 per cent of a venture but in practice the legislation has been flexibly applied.

Kumagai Gumi to manage Bangkok motorway project

By Andrew Taylor, Construction Correspondent

KUMAGAI Gumi of Japan – one of the world's biggest construction groups – has been appointed project manager for a $1bn (£555m) privately-financed toll motorway around Bangkok.

Final elements of the financing programme, expected to be mostly loans with a small amount of equity, are being put in place, and pre-construction work is due to start in March, according to Acer Freeman Fox, British engineering consultants, working on the project.

Bangkok Expressway Company, which has been awarded the concession to finance, design, build and operate up to 36.6km of elevated motorway, has received offers to underwrite the overseas portion of the financing from 15 international banks.

Bangkok Bank, Siam Commercial Bank and Thai Military Bank are expected to lead-manage the domestic financing. Shearson Lehman Hutton is financial adviser to the project.

Kumagai, which earned pre-tax profits of Y28.82bn (£129m) on sales of Y859.3bn in the 12 months to September, has wide experience of privately-financed "build-operate-transfer" schemes, including the Eastern Harbour Crossing in Hong Kong.

Its latest contract will link with the existing Bangkok First Stage Expressway at Makkasan and Bang Khlo, completing a ring road around central Bangkok. It will more than double the size of the existing 27km expressway.

The motorway is expected to increase the capacity of the Thai capital's expressway system from about 250,000 vehicles a day to 600,000 a day.

The concession will run for 30 years, with Bangkok Expressway and Rapid Transit Authority of Thailand, which built the existing expressway, sharing the revenues, Acer said.

The British engineers, in joint venture with International Contracting and Consulting Services of Bangkok, have been appointed to provide additional design work.

Acer says priority in awarding construction contracts will be given to local companies. International groups will be invited to bid if Thai contractors lack necessary experience or have insufficient capacity.

● A group of engineering and design consultants including Scott Wilson Kirkpatrick of Britain have been commissioned by the Hong Kong government to provide a $21m (£11.6m) feasibility study for a new trunk road from the Chinese border at Lok Ma Chau to Hong Kong Island.

The 35km road could involve tunnels of up to 4km as well as bridges. Other members of the study team are Parsons Brinckerhoff (Asia), Charles Haswell & Partners, and Wilbur Smith Associates.

W Germans plan Indian naphtha plant

By Gita Piramal in Bombay

LINDE, the West German chemical engineering giant, and RPG Enterprises, India's thirteenth largest business group, are proposing to invest Rs10bn (£377m) to erect a naphtha-based cracker to produce 450,000 tonnes of ethylene a year at Madras.

Ethylene is one of the basic feedstocks of the chemicals industry used for making thousands of synthetic materials.

A new company, Linde Process Technologies India, has been registered. Commercial production is expected to start 30 months from the date of receiving all government approvals.

The cracker is planned as a 100 per cent export-oriented unit importing all its raw material and exporting most of its finished products (ethylene, butadiene, propylene, benzene, carbon blackfeedstock and fuel gas).

Its main market for ethylene will be Europe, while its butadiene is expected to go to Japan.

On January 20, the project approval board of the Indian government decided to recommend the granting of a letter of intent for the proposal, which has a number of unusual aspects.

In its application, Linde has undertaken to finance almost the entire project including, if the government wishes, the margin money for working capital.

This implies full financing from foreign sources by a foreign company, except for the 20 per cent equity held by RPG Enterprises.

Thus, there will be no recourse to borrowing from any Indian financial institution or nationalised banks. The plant's capacity to earn scarce foreign exchange is a reason for the government's approval.

Moscow, Seoul agree to set up joint ventures

THE Soviet Union and South Korea have agreed in principle to set up joint ventures this year to boost direct bilateral trade, Hyundai said yesterday, Reuter reports from Seoul.

The agreement calls for the Soviet Chamber of Commerce and Industries and Hyundai, South Korea's biggest conglomerate, to form joint-venture companies in construction, manufacturing and fisheries, Hyundai said.

Letters of intent to that effect had been exchanged between Mr Vladimir Golanov, vice-chairman of the Soviet Chamber, and Mr Lee Myung-bak, chairman of the Hyundai group's Hyundai Engineering and Construction.

The agreement follows recent improvements in relations between the two countries.

Mr Golanov had held talks with South Korean officials to prepare for an already-agreed exchange of trade offices between Seoul and Moscow in March.

He had invited 40 South Korean business leaders to travel to Moscow and Siberia in March to discuss Siberian development projects, officials at the Federation of Korean Industries said.

Arianespace in $3bn outlay

ARIANESPACE, which launches Western Europe's Ariane rocket, said yesterday it will spend $3bn (£1.6bn) on 50 launchers, the biggest space rocket contract ever, Reuter reports from Paris.

Its chairman, Mr Frederic D'Allest, announced the order despite reports from satellite manufacturers that world space markets are shrinking, and that commercial rocket launchers will find it increasingly difficult to pay their way.

The contract for 50 Ariane-4 rockets will be signed on February 15, Mr D'Allest said.

Arianespace, which launches the rockets for the 11-nation European Space Agency, planned nine launches in 1989. The company was not chasing a disappearing market.

Mr D'Allest hoped Ariane would grab nine or 10 of the 15 commercial satellite contracts due to be signed this year.

Malaysian PM undergoes heart bypass operation

By Wong Sulong in Kuala Lumpur

MR MAHATHIR MOHAMAD, the Malaysian Prime Minister, has undergone a heart bypass operation, confirming speculation that he has been more ill than had been initially reported. An official statement said the Prime Minister's condition was "stable" after the operation yesterday morning.

The 63-year-old Malaysian leader was admitted to the Kuala Lumpur General Hospital early last Wednesday for what was initially described as "chest pains".

Mahathir: 'stable'

Worries about Mr Mahathir's health is already having a destabilising effect on politics as well as the Malaysian Stock Market which had fallen sharply during the past week.

Mr Mahathir became Prime Minister in July 1981, and for the past three years, had been engaged in a bruising and as yet unresolved struggle with his opponents for the leadership of the ruling United Malays National Organisation (Umno).

Pro and anti-Mahathir groups are locked in battle in the parliamentary by-election at Ampang Jaya, outside Kuala Lumpur, and the voting this Saturday is expected to have a significant impact on the political realignment among Malay leaders.

Mr Ghafar Baba, Mr Mahathir's 64-year-old deputy, has been on the hustings daily at Ampang Jaya, and a victory for the Government's candidate would strengthen his stature.

On the other hand, a defeat for the Government side would add further strength to the dissidents, led by Tengku Razaleigh, to demands for Mr Mahathir's resignation.

The picture is complicated by the re-entry of Datuk Musa Hitam, Mr Mahathir's former deputy, into Umno. Datuk Musa, who resigned in 1986, recently consolidated on his home state of Johore, and is poised to make a comeback in national politics.

"The situation is extremely fluid, and the course of Malaysian politics in the coming months is fraught with uncertainty," said a senior Malaysian politician.

"The four major players – the Prime Minister, Ghafar, Razaleigh and Musa – each have their strengths and vulnerability, and there is likely to be many twists and surprises before the Umno leadership dispute is resolved," he said.

Door gimmick brings opening for Mitsubishi

By Stefan Wagstyl in Tokyo

DRIVERS who think that all small cars look the same should take a spin in Lettuce, the latest offering from Mitsubishi Motors.

The Japanese car maker decided that the best way to make an impact in the market for minicars – cars with engines under 550cc – was to break with the idea that cars either have two doors or four. The Lettuce has three – one on the driver's side and two opposite. To drive the point home, the door handles are triangular.

The company says the Lettuce, launched this week, will appeal to mothers with young children, who will be safer if there is only one set of locks to play with in the back instead of two.

But the real reason for launching a three-door car seems to be the hope that its uniqueness will appeal to the Japanese consumers' fondness for gimmicks.

Mitsubishi will need all the publicity it can get from the Lettuce since competition is expected to increase greatly in the market for small cars over the next three years.

Until now, cars under 550cc have been taxed more lightly than larger models – originally to allow people who could otherwise not have afforded a car to buy one. But, as a result of the general tax reform bill recently passed by the Diet (Parliament), this advantage is to be phased out over the next three years.

So the artificial borderline between minicars and slightly larger small cars will disappear. As a result pressure on companies specialising in minicars is expected to increase, the Japan Auto Manufacturers Association said yesterday: "This is bad news for minicar makers and good news for makers of other kinds of small car."

Suzuki Motor, the leading minicar maker which last year sold 491,000 cars out of a total market of 1.7m, will be hardest hit. Nearly 85 per cent of the company's output last year was minicars.

The company said it hoped to sell as many vehicles in total in 1989 as last year. The law change would have quite a large impact on the market, but it was too early to say how large, said Suzuki.

To help the minicar makers adjust, the Ministry of Transport is likely from next year to raise the maximum engine capacity of minicars to 660cc, thus broadening the market slightly.

But the minicar makers main hope will rest in their ability to design models which have a different appeal to those made by the dominant Japanese car manufacturers – Toyota and Nissan.

But the majors have not been slow in trying to exploit the same market as the minicar makers – that is selling cars to young women. Women buy around 60 per cent of small cars, against 10 per cent for cars with engines above 1,500cc.

Nissan in particular has scored hits with limited edition models, designed on the lines of small classics of the past. In 1987, it generated 10,000 orders in a month for the Be-1, an Austin Mini lookalike. This month Nissan received 8,200 orders in the first two days following the launch of the Pao, a car reminiscent of the Citroen CV2.

Japanese increase aid and defence budgets

By Ian Rodger in Tokyo

JAPAN'S aid and defence budgets for the 1989-90 fiscal year have been increased substantially following last minute negotiations among officials and ministers.

Official development assistance (ODA) is now budgeted to rise 7.8 per cent to Y755.7bn (£3.4bn), some Y15.7m more than the Ministry of Finance proposed in its draft budget last week. Similarly, the defence budget will rise 5.9 per cent to Y3,920bn after another Y27.3bn was allocated to this sensitive area.

The overall budget, which was approved by the cabinet yesterday and will now be presented to the Diet for debate, totals Y60,400bn (£266bn), a slight decline in spending from the Y61,851.7bn level expected in the current fiscal year.

Foreign Ministry officials said the big increase in the aid budget would make it possible for the country to carry out its promises to cancel Y39.8bn of debts from the poorest countries and to launch a new programme of grants for small scale projects in poor countries.

Because of the substantial growth of Japan's aid effort in recent years, a shortage of administrators has hampered implementation of programmes. The Japan International Co-operation Agency, which handles technical co-operation, has been authorised to add 16 people to its 998 staff and the ministry itself will add 21 to its Economic Co-operation Bureau, which now numbers 280.

The ministry believes that Japan surpassed the US as the world's largest donor last year on a disbursement basis.

The defence budget includes a 19.2 per cent rise in spending to Y157.2bn in support of US forces in Japan. There is also a 13.7 per cent rise in spending for logistic support equipment for the armed forces. The government expects that defence spending will marginally exceed one per cent of gross national product.

Opposition presses Roh to hold referendum

OPPOSITION leaders warned President Roh Tae-woo of South Korea that he must hold a promised referendum on whether the nation supports his rule, and said they would oppose any attempt to avoid a vote, AP-DJ reports from Seoul.

Leaders of the three rival opposition parties, Kim Dae-jung, Kim Young Sam and Kim Jong Pil, agreed to co-operate on several key issues in a development that could present a major threat to the Roh Government. Mr Roh promised just before the December 1987 presidential elections that he would hold a referendum on his performance sometime after the Olympic Games held in Seoul last September.

UN envoy tries to revive Gulf War talks

By Andrew Gowers, Middle East Editor

A UNITED Nations envoy held talks with senior Iranian officials in Tehran yesterday in an effort to breathe fresh life into the stalled peace negotiations between Iran and Iraq.

Mr Jan Eliasson, the Swedish mediator appointed by the UN Secretary-General, met Mr Mohammad Hussein Lavassani, an Iranian deputy foreign minister, to discuss ways of resuming the Geneva negotiations, which began in August but were broken off indefinitely without progress on November 11.

It was unclear whether Mr Eliasson was carrying any new proposals to break the stalemate, or whether he would hear anything new in Tehran or Baghdad, which he is also due to visit on Friday.

Tehran's state radio struck a familiar note yesterday when it called on Mr Javier Perez de Cuellar, the UN Secretary-General, to put pressure on Iraq to comply fully with Security Council resolution 598. However, Iraq has this week provided one hopeful sign by repatriating 255 Iranian prisoners of war in what it described as a unilateral gesture of goodwill.

Iran's acceptance of resolution 598, which calls for an end to hostilities and withdrawal of troops to recognised international boundaries, brought about last summer's ceasefire. But Iraq has tied any steps beyond a truce to a demand for freedom of navigation in the Gulf and dredging of the Shatt al-Arab waterway, which marks the southern frontier between the two countries.

Although a resumption of hostilities remains most unlikely in the short term, the ceasefire remains fragile, with tens of thousands of troops still confronting each other along the border.

The essential problem is that Iraq, believing that it won a military victory of sorts last year, has raised the stakes for a settlement, while a weakened Iran has been unable to articulate what sort of package deal it might to settle for.

At a conference on Iran organised by London's Royal Institute of International Affairs last week, speakers identified the Iranian leadership's unclear objectives – partly caused by internal divisions – as one of the key obstacles.

Dr Shahram Chubin, a Geneva-based Iran scholar, added that Western powers were unlikely to put pressure on Iraq to abandon its preconditions for progress until Iran made some substantial positive gestures, such as a serious effort to obtain freedom for Western hostages in Lebanon.

Troops told to shoot at Benin demonstrators

By Our Foreign Staff

THE BENIN Government yesterday told its security forces to fire without warning at demonstrators in the streets after two security officers were stoned to death in riots on Monday.

Reports from Porto Novo, a main town near the border with Nigeria, said some demonstrators were slightly injured in widespread rioting. The riots and ransacking of public buildings followed strikes by students, teachers and government employees protesting at non-payment of wages and grants for several months.

Throughout the day, state radio broadcasts instructed police and troops to shoot on sight at all demonstrators gathering in public places.

President Mathieu Kérékou's Government has been plagued during the past year by increasing discontent at severe hardship under an austerity budget that has cut civil service pay by up to 10 per cent. Public anger has been inflamed by rumours of corruption and at last two coup attempts have surfaced during the past year.

Belgian Premier flies to Zaire to offer peace

By Tim Dickson in Brussels

MR LEO TINDEMANS, Belgium's Foreign Minister, yesterday unexpectedly flew to Kinshasa in what was being seen as an attempt to improve his country's worsening relations with Zaire.

Ten days ago Belgium hit back at its former colony after the Goverment of President Mobutu renounced two long-standing friendship agreements, imposed a freeze on its debt payments and curbed flights by the Belgian national airline Sabena. An angry Mr Wilfried Martens, Belgium's Prime Minister, declared that all development projects which are not under way should be halted.

Since then Mr Tindemans has played the leading Belgian role in trying to calm the atmosphere, insisting in interviews that he was ready to attend a conference in Kinshasa planned for April. His sudden departure yesterday seems even to have taken his officials by surprise and no details of his flight or his intentions were being made known.

It is not certain whether a meeting with Mr Mobutu is in prospect or how long Mr Tindemans will be staying in the country.

Government officials have said that Belgium will seek legal recourse for the alleged violation of the bilateral air agreement between the two countries – landing rights at Kinshasa have been withdrawn from two of the four regular Sabena flights – but the Foreign Ministry has always insisted that the best hope lies in diplomatic manoeuvres.

Belgian imports from Zaire totalled BF23.9bn (£348m) in 1987, Belgian exports to the African country amounted to BF10.3bn, in the same period.

Relations between the two countries first took a turn for the worse in November when President Mobutu was offended by the parliamentary and media criticism that accompanied the visit of Mr Martens to Zaire, when the Belgian leader offered to reschedule part of the former colony's debt. Zaire's total foreign debt is estimated at $7bn.

UN chief plans 4,650-strong Namibia force

MR Javier Perez de Cuellar, the UN Secretary-General, yesterday proposed a 4,650-member United Nations peacekeeping force for Namibia although African states have urged a much larger operation, Agencies reports from the UN in New York.

The force and the civilian elements of the UN Transition Assistance Group intended to lead the territory to independence from South Africa would cost an estimated $416m, he said in a report to the Security Council.

Mr de Cuellar's proposal was an attempt at compromise in a dispute between the five permanent members of the Security Council and the other ten, backed by the OAU and Non-Aligned Movement.

While the five, including the Soviet Union, have argued for a cut in the original number of troops proposed in Security Council resolution 435 which outlines the independence plan, other members have insisted the full 7,500 be deployed. The UN chief said that it had not been possible to reconcile these opposing viewpoints.

Poll successes provide consolation for Gandhi

By K.K. Sharma in New Delhi

AFTER BEING trounced in the south Indian state of Tamil Nadu by a local party, Mr Rajiv Gandhi's Congress-I party yesterday won the small northeastern states of Nagaland and Mizoram where elections for new legislatures were held last Saturday.

The absolute majority gained by the party in the two states does not improve its image, however, since both are small and located in a part of India that does not have much bearing on national politics. As such, Congress's victories are something of a consolation prize.

The two tiny states were given statehood after being plagued by years of rebel activity by large sections of their people seekingindependence. Both are still troubled by political instability but Congress should be able to administer the Governments there without trouble even though it won its absolute majority in the two assemblies with great difficulty.

Congress is still reeling after the disastrous defeat in Tamil Nadu where the Dravida Munnetra Kazhagam (DMK), won 170 of the 232 seats in the state legislature. Congress, with only 27 seats, came third after another splinter-group of the DMK won 32.

Congress is also making heavy weather in the key central Indian state of Madhya Pradesh where Mr Arjun Singh, a former close associate of Mr Gandhi, has resigned as Chief Minister after being censured by the state high court in a corruption case. Mr Gandhi is finding it difficult to find a successor to Mr Arjun Singh since he needs someone not only acceptable to the local unit of the Congress but who can also refurbish the party's image in the run-up to national elections due by the end of the year.

Afghans fight for food

Afghans have been fighting each other for food in Kabul, hoarding and looting shops and an army sergeant was shot dead in an argument over bread, Western diplomats said yesterday, according to Reuter in Kabul. They said queues for food and fuel in the Afghan capital reached record levels early last week but were shorter by the weekend after the arrival of supplies from the Soviet Union.

Keeping AIDS out of Asia

Asian countries opened a four-day conference yesterday to try to stop AIDS sweeping the only region of the world still relatively free of the fatal disease, Reuter reports from Bangkok. Officials at the conference, attended by 500 delegates from 25 nations, dismissed reports that Asia was out of the AIDS danger zone.

14 die in Pakistan ethnic clash

At least three people were shot dead and 14 wounded in ethnic violence in the southern Pakistan province of Sind on yesterday, Reuter reports from Karachi. They said a gun battle between Mohajir immigrants from other parts of the subcontinent and Sindhis broke out in Sukkur after a row over the setting up of a students' union office at a college.

Indonesia attracts foreign investment

Foreign investment in Indonesia increased to $4.41bn in 1988 from $1.46bn 1987, showing the country's increasing attraction for foreign investors, the chairman of the National Investment Co-ordinating Board said yesterday, according to Reuter in Jakarta.

Moroccan minister hopes to end currency controls

MR Mohamed Berrada, the Moroccan Finance Minister said he hopes the country will have removed all foreign currency controls within the next three to four years, Reuters reports from Rabat.

"It is not by foreign currency controls that we will attract hard currency. The opposite is the case. I think in three to four years, there will be no more foreign currency controls in Morocco," he said.

Mr Berrada said large sections of the economy had been freed of controls following the adoption of a World Bank supported economic adjustment policy after a 1983 debt crisis. Liberalisation would accelerate now the country was generating foreign exchange reserves following a 1988 current account surplus of $12m (£6.76m) – the first surplus in 13 years, he added.

"We will begin to accumulate foreign exchange earnings which will strengthen our position," said Mr Berrada.

Mr Berrada said Morocco – which is soon to begin talks to reschedule $3bn of commercial debt – was not as heavily in debt as the 1987 World Bank estimate of $22bn implied.

UK continues efforts to foster Mid-East peace talks

MR WILLIAM Waldegrave, Minister of State at the British Foreign Office, yesterday met for the third time in six weeks with an official of the Palestine Liberation Organisation as part of Britain's effort to foster Middle East peace negotiations, writes Andrew Gowers.

During the meeting, Mr Bassam Abu Sharif, an advisor to Mr Yassir Arafat, the PLO chairman, sought once again to enlist British support for the commencement of preparatory work for an international Middle East peace conference.

Both men expressed concern about the current Israeli crackdown and rising death toll in the West Bank and Gaza Strip.

Mr Waldegrave, who met Mr Arafat earlier this month, is pursuing contacts with both the PLO and the Israelis in tandem with European Community ministers, with a view to drawing Israel into talks with the Palestinians.

After the meeting with Mr Arafat, Mr Waldegrave said Israel would be "left behind" if it failed to grasp the opportunity of negotiating the Palestinians' future.

The PLO is anxious that Britain should use its weight with the US to persuade the Bush Administration to agree to the convening of an international conference.

The EC will step up its own diplomatic efforts later this week with an official visit by Mr Arafat to Spain, current president of the Council of Ministers.

Bhutto says Pakistan may rejoin the Commonwealth

PRIME MINISTER Benazir Bhutto said yesterday Pakistan was considering whether to rejoin the Commonwealth it left in 1972, Reuter reports from Karachi.

"We are considering whether Pakistan should join the Commonwealth or not," she told reporters.

Her late father, then-president Zulfikar Ali Bhutto, pulled Pakistan out of the organisation of former British colonies and dominions when other members recognised former East Pakistan as the newly independent Bangladesh in 1971.

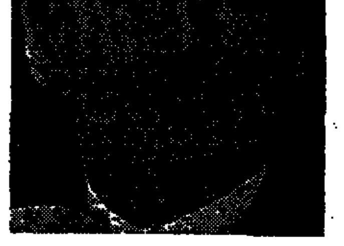
Pakistan recognised Bangladesh in 1974 but did not seek readmission to the group.

The previous government of the late President Mohammad Zia ul-Haq said Pakistan could rejoin the group if there was a favourable consensus of other members, but the move was opposed by India, Pakistan's traditional rival.

● The first major controversy of Prime Minister Bhutto's rule ended yesterday when a provincial official declined to appeal a court decision that went against one of her allies.

A spokesman for the Baluchistan government said it would not appeal against a court order on Monday that restored the dissolved provincial assembly.

The assembly was dissolved last month. The opposition said Ms Bhutto had conspired to keep an ally in power, which the Prime Minister denied.



Jazairy: productive

UN farm aid chief claims successes

By John Wyles in Rome

MORE THAN 180m of the rural poor in the Third World now stand to enjoy lasting supplies of food from projects financed by the UN's International Fund for Agricultural Development, Mr Idriss Jazairy, the Fund's president, claimed yesterday.

At the opening session of Ifad's annual meeting, attended by ministers and representatives from 143 countries, Mr Jazairy said that this level of food security had been purchased at an investment cost of $14 per head. The provision of new employment opportunities among 2.6m rural poor was also costing the same amount – "in terms of cost-effectiveness, I know of no more productive investment," Mr Jazairy said.

The president's speech stressed the successes of the Ifad aid approach which is based on involving beneficiaries in the design and implementation of projects aimed at sustainable food production. He said that the Fund was strengthening its collaboration with non-governmental organisations with experience of working with the rural poor and that such collaboration was a key aspect of projects either planned or under way in Bangladesh, Pakistan, Venezuela, Sri Lanka and the Solomon Islands.

He argued that in future the Fund should explore several new areas of action including encouraging the poor to undertake longer-term investments in environmental protection, giving a stronger impetus to sub-regional co-operation, fostering the exchange of its project experiences between countries, developing self-reliant credit schemes for the rural poor and generating a flow of charitable funds from the developed world into Ifad's aid programmes.

Gadaffi replaces the green book with green perestroika

Tony Walker, recently in Tripoli, examines the extent of the Libyan leader's change of course at home and abroad

NOT SINCE the late 1970s, when Idi Amin Dada was in full voice, has the world been subjected to quite such a sustained bout of primitive showmanship. Colonel Muammer Gadaffi's announcement last week that he was abolishing "all state institutions", including the "security apparatus" and the Libyan news service, did nothing to diminish his reputation for eccentric gestures.

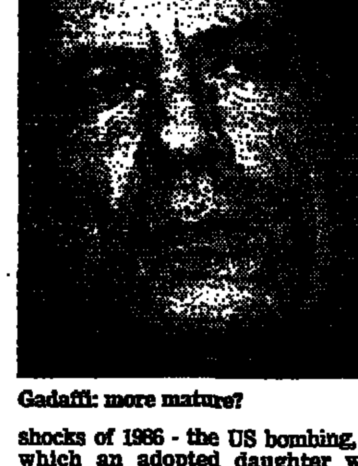
Col Gadaffi's assault on the state's institutions is hardly new. But it does coincide with an unusual improvement in Libya's relations with its neighbours, and a possible reaching out to the US after a long period of hostility. In the weeks since the shooting down by the US of two Libyan MiG-23s, the Libyan leader has proffered an obvious olive branch to the incoming Bush administration. The Libyan leader's behaviour this month – especially the release of the body of an airman shot down during the US bombing raids on Tripoli and Benghazi in 1986 – contrasts sharply with the outburst which followed his last serious military encounter with Washington.

There is, however, no agreement among Western diplomats and other Libya-watchers about the direction in which the idiosyncratic Colonel is taking this arid and troublesome north African state.

Broadly, there are two schools of thought. The optimists say Col Gadaffi wishes to be regarded as a "reborn" and "more mature" leader on the 20th anniversary of the *putsch* that brought him to power in 1969 over the Western-oriented King Idris. The sceptics say that a recent wave of mild domestic liberalisation and a new international openness are merely tactics which will soon be discarded.

The West and Libya's neighbours might have reason to be sceptical. There is no indication that Col Gadaffi has veered away from his support for international terror or that he is likely to abandon his absolute rejection of Israel. This stance underpins Libya's foreign policy, conditions its backing for extremist Middle East factions and puts it at odds with moderate Arab states such as Egypt.

Signs of a limited liberalisation, the so-called "green perestroika" are attributed to the Colonel's three big



Gadaffi: more mature?

shocks of 1986 - the US bombing, in which an adopted daughter was reportedly killed, the almost total lack of Arab support after the event and Libya's crushing defeat in Chad - accompanied by a realisation that his own popularity had reached something of a nadir.

All this coincided with severe economic hardship, including food shortages, in Libyan towns and cities. Oil prices had collapsed and the effects of years of mismanagement and corruption in the food distribution system were making themselves felt.

His response was to relax restrictions on small private businesses, to release some political prisoners, rein in the much-disliked revolutionary committees, lift a ban on foreign travel and ensure that food stores were better-stocked. At the same time a relatively successful diplomatic campaign was instituted to lessen Libya's isolation both from the West and from its neighbours.

But for many Libyans internal "reforms" are little more than cosmetic. Dissidents say that it is much too soon to conclude that a fundamental change for the better has taken place. Support for opposition groups is widespread, they say.

Reports of recent unrest on university campuses in Tripoli and Benghazi, some of it involving religious activists, appears to contradict a conventional view that the Libyan leader enjoys the overwhelming support of a passive people. In Tripoli there was evidence of Gadaffi posters having been defaced.

Indeed, it would be surprising if many Libyans were not fed up after 20 years of often capricious rule in which dissent has been ruthlessly suppressed by a large security apparatus bolstered by East Bloc advisers.

Claims in Col Gadaffi's defence that Libyan oil wealth has "trickled down" down to the masses in the form of good schools, adequate housing, health care and jobs are contested by dissidents. The education system, burdened by the Colonel's bizarre social and political theories enshrined in the so-called "green book", is said to be in a mess.

Business is hardly buoyant in an oil-wealthy country of 3.5m people, whose per capita income, apart from South Africa, is the highest in Africa. The few private shops that are open in Tripoli sell goods of indifferent quality, handsome Italianate buildings in the capital are badly run down and rubbish litters the backstreets near the city centre.

The impact of Libya's huge balance of payments surpluses in the late 1970s and early 1980s seems to have been limited, and it is impossible to avoid contrasting depressed conditions in Libya with those in several of the oil-rich Gulf states. Col Gadaffi's international ambitions and Libya's military build-up have proved expensive.

Libya's earnings from oil last year amounted to about $5.5bn, compared with a peak of $22bn in 1980. These days the country is running a small current account deficit as it seeks to ensure a minimum living standard for its people, and to fulfil some of its more ambitious capital works projects such as the "Great Man-Made River" to bring water to the coast from desert aquifers.

Some Western officials express guarded optimism about the possibility of real change in Libya, and they want the West to encourage the trend. But even these optimists are cautious about the Colonel. "He is a Bedouin. If he is on a camel and he wants to turn he just turns. He doesn't wait for a green light."

AMERICAN NEWS

Mexico goes all out to renegotiate its external debt

Salinas has demonstrated his priorities by assembling an experienced team to conduct talks, writes Richard Johns

"IF we don't grow because of the debt burden, we don't pay." Those words were spoken by Mr Carlos Salinas de Gortari on May 19 last year during his election campaign.

Eight months later, with President George Bush barely installed in the White House, Mexico's new head of state can formally begin the renegotiation of his country's crippling external debt. At just over $100bn, the service payments last year would have cost about $13bn, equivalent to 6 per cent of Gross Domestic Product and - depending on interest rates - an outflow of financial resources of over $15bn in 1989.

Having attend Mr Bush's inauguration in Washington, Mr Pedro Aspe, Mexico's precocious 38-year-old Finance Minister, has stayed on to hold talks with the new US Administration, the World Bank and the International Monetary Fund.

At his side is Mr Angel Gurria, the country's chief debt negotiator for the past decade (also a youthful 38-year-old) and now third-ranking Treasury official. In support (and to keep up the initial momentum) is the veteran Mr Gustavo Petricioli, the outgoing Treasury Minister now designated as ambassador to the US, who handled the negotiations leading to the March 1987 agreement with creditor banks on the rescheduling of $43.7bn of outstanding debt.

Such an approach reflects the absolute priority given to renegotiation of the debt, the categorical imperative of President Salinas's administration, on which all other policy goals depend, including the modest growth of 1.5 per cent projected for 1989 - and only expected in the second half - in Mr Aspe's first budget.

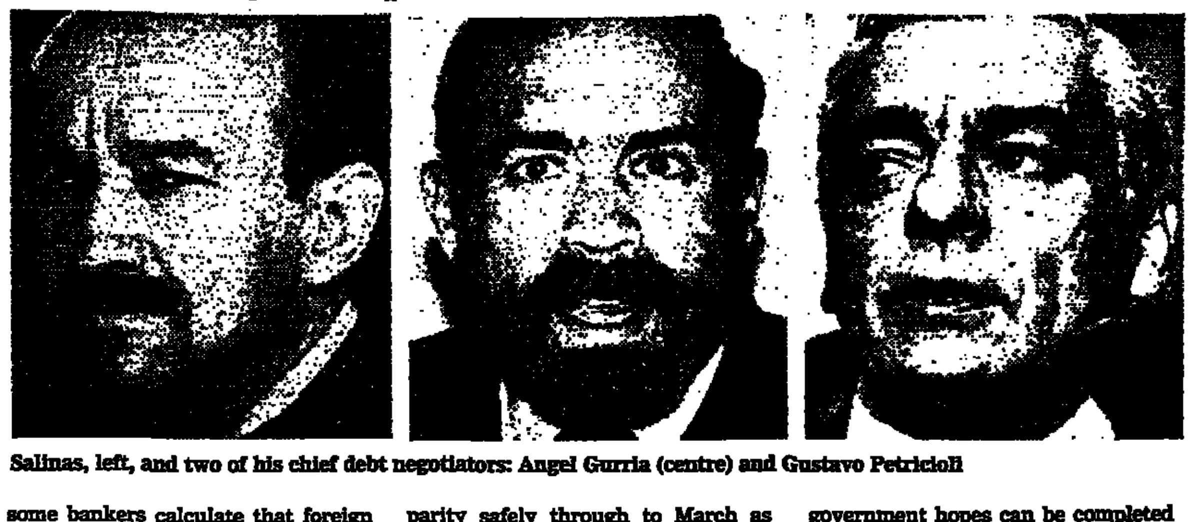
The debt renegotiation started *with secret US-Mexican talks in late* September. These were prompted by the drastic fall in Mexico's foreign reserves caused by the collapse of oil prices, and by a marked decline in the country's trade surplus and a large-scale flight of capital, with Mexico going into current account deficit in July.

The result of the talks was the mid-October arrangement, concluded together with the World Bank and the IMF, of a $3.5bn contigency bridging loan made available to Mexico by the US Treasury and Federal Reserve.

Although eventually the money will be translated into development financing from the major multilateral agencies, the facility was a stop-gap confidence building measure. As such, it did not prevent renewed capital flight in November prior to the change of government.

Since Mr Salinas's accession on December 1, the tripartite accord between government, business leaders and the unions (freezing prices until the end of July and limiting the rise in the basic wage to 8 per cent), and Mr Aspe's anti-inflationary austerity budget involving a further rise in the primary surplus, is said by bankers and economic analysts to have restored confidence and to have led to capital flowing back at the rate of about $500m a month.

Mexico has not, apparently, had to draw on the US loan facility. But some bankers calculate that foreign exchange reserves could now have sunk below $7bn, compared with a peak of over $16bn at the end of May, and that the final outcome for 1988 could be a current account deficit of as much as $4bn compared with the $3.9bn surplus in 1987.



Salinas, left, and two of his chief debt negotiators: Angel Gurria (centre) and Gustavo Petricioli

A suspicious delay in the release of official statistics beyond last August suggests that subsequently there was a further deterioration. Yet with higher oil prices and a slowdown in the rise in imports following last month's tariff increases, a healthier trade equilibrium could have been established.

Bankers and diplomats believe that existing foreign exchange reserves and prospective earnings should be enough to see the peso parity safely through to March as planned.

By then, however, Mexico may need another major confidence-building measure in the form of a seal of approval for its economic policies from the US, The World Bank, and, more problematically, the IMF. It will also need aid commitments from them, as well as a Paris Club accord on a multiannual restructuring programme. Mexico refuses to accept any conditionality attached to an IMF facility.

Negotiations, which will only be set in train after the seal of aproval has been received, will begin with the committee headed by Citibank, representing some 500 lending institutions. That will necessarily be a long drawn-out process which the government hopes can be completed by mid-summer.

The resourceful Mr Gurria has prepared an exhaustive menu of choices with options calculated to appeal to the palates of the banks of various creditor countries.

Undeterred by the disappointing outcome of the initiative whereby creditors are invited to exchange debt for zero coupon bonds guaranteed by the US Treasury, he has been working on schemes whereby interest as well as principal would be guaranteed by multilateral agencies and governments.

Mr Gurria is to propose capitalisation of a minimum 80 per cent of interest due over the next six years as another means of debt alleviation, according to a report last week by Salomon Brothers.

Overall, Mexico is seeking a long-term, multi-annual solution to its debt problem. Mr Salinas has spelt out the other three key objectives of *ending the net transfer of* resources abroad, reducing the value of the country's historical debt and slashing debt as a proportion of GDP.

Immediately, the objective is to achieve a recovery and renewed growth by 1991 when crucial mid-term elections for Congress will be held and, if the process is clean, the ruling Institutional Revolutionary Party (PRI) could be in danger of losing its majority in the Chamber of Deputies.

In contrast to the outflow of resources over the past six years, it is looking for a net availability of financing of $15bn - $20bn over the next three years, or preferably the equivalent for the six year term of Mr Salinas's administration.

For this year the target for new financing is believed to be about $6bn, the minimum thought sufficient to lay the basis for a rapid return to growth following a six-year period of stagnation and declining investment.

The left-wing coalition opposition constituted by the National Democratic Front has called for some kind of debt moratorium. Mr Salinas and his colleagues have been careful to make no such overt threat. Questioned recently about his keynote statement of last May, his diplomatically subtle reply was: "As someone once said, a dead client will never pay."

Democrats cautious on approach to budget

By Peter Riddell, US Editor in Washington

DEMOCRATIC majority leaders of the US Senate and House yesterday made clear their caution on making budget commitments as they met President Bush for the first time formally at the White House, together with Republican minority leaders.

Congressional leaders are reluctant to make specific commitments about negotiations on the Federal budget until they have seen President Bush's revised proposals to be presented to a joint session of the Senate and House on February 9.

The meeting was an attempt to put substance behind the President's call in his inauguration speech for a bipartisan approach over reducing the budget deficit, with his "offered hand" of co-operation towards Congress.

After what was intended essentially as an initial contact, Mr George Mitchell, the Democratic Senate majority leader, said Mr Richard Darman, the designated budget director, had suggested procedures for dealing with the negotiations over the budget.

These involve telescoping the normal budgetary process in the hope of producing congressional approval for an overall budget by April 15. These ideas involve regular talks with the congressional leadership as well as the usual scrutiny by committees. The Darman plan will now be considered by the relevant committee chairmen.

Mr Jim Wright, Speaker of the House of Representatives, said detailed consultations would not begin until after February 9.

Both Mr Mitchell and Mr Tom Foley, the House majority leader, have praised President Bush for his initially co-operative approach. However, they are wary of being trapped in an embrace of bipartisanship when they do not know the probably uncomfortable details of how the deficit will be reduced, and so face the danger of being blamed for unpopular decisions.

Senator James Sasser, the chairman of the Senate budget committee, warned yesterday, "We're not going to rush out on the end of a limb and have him saw it off."

The Democratic chairmen of the congressional committees involved in the budget process have expressed doubts about the Administration's economic projections, about the cost of the savings and loan crisis and cleaning up nuclear plants, and, in particular, about whether the deficit can be reduced without tax increases.

Mr Foley has said he expects an agreement will be reached in time without having to bring into play the sequestration arrangements for across-the-board cuts under the Gramm-Rudman-Hollings deficit reduction procedures. But he believes the Administration will have to bend on its no tax increase pledge.

Poll offer by El Salvador guerrillas

By Richard Johns in Mexico City

THE Farabundo Marti National Liberation Front (FMLN), the guerrilla group which has been fighting the El Salvador army for eight years, yesterday proposed the postponement of elections scheduled for March 19 for six months and offered to join a democratic process under certain conditions.

The surprise attempt at a political solution in the war-torn Central American country comes as its forces are threatening the capital San Salvador and have gained the upper hand.

From its position of strength, the FMLN is anxious to head off the possibility of an election victory by the far-wing ARENA party of ex-Major Roberto D'Aubuisson, a sponsor of death squads, over the Christian Democrats led by President Salvador Duarte who has cancer.

Under the proposals signed by the five comandantes representing different factions of the left-wing coalition, the FMLN is demanding that the army ends immediately "assassinations, arrests and the repression of the mobilisation of the popular movement".

The movement wants the election to be supervised by a council representing all democratic forces in the country in which religious, humanitarian and civilian organisations would be represented. The FMLN is also insisting on the presence of international observers and no interference by the US.

The FMLN has offered a truce for two days before and after the poll which it proposes should be on September 15, independence day.

In return it wants the army to withdraw to barracks on the day of the poll and to respect all parties during the election.

Bush nominee favours boost for HDTV

MR Robert Mosbacher, President Bush's choice for Commerce Secretary, yesterday threw his weight behind US efforts to develop High Definition Television Technology, writes Lionel Barber in Washington.

He told the Senate commerce committee reviewing his nomination that HDTV was a high priority.

The Japanese and Europeans were moving ahead of the US, he said, adding "it's very late in the game but not too late".

Last week, a US electronics group, including representatives from IBM to small specialist companies and sponsored by the American Electronics Association, announced plans to develop a government-backed consortium to develop HDTV.

Mr Mosbacher said as a general policy he favoured more co-operative ventures between the federal government and US companies to accelerate high tech projects.

Brazil split on sackings issue

BRAZIL'S Supreme Court may soon be called on to adjudicate between Congress and President José Sarney in a row over who is to take responsibility for the sacking of thousands of civil servants, writes Ivo Dawnay in Rio de Janeiro.

On Monday, Congress sent back the controversial cost-saving measure – part of the anti-inflationary Summer Plan – to the President, arguing that the decision must be exclusively that of the executive.

The issue has become an embarrassing symbol of the reluctance of both sides to risk their declining popularity in favour of tough action to right the economy.

White House seeks to dispel anti-trust fears

FORGET the overvalued dollar, second-rate management and "short-termism", a new theory has arrived to explain why US companies find it hard to compete against their foreign rivals.

It is called "fear of anti-trust", the notion that US anti-trust law needlessly inhibits US companies from engaging in co-operative technological innovation like their Japanese and European rivals. Its chief proponent in the new Bush administration is Mr Richard Thornburgh, US Attorney General, former governor of Pennsylvania, and one of the President's closest advisers.

Last month Mr Thornburgh, backed by Mr William Verity, the outgoing US Commerce Secretary, launched a drive for a relaxation of anti-trust laws to allow US companies to run joint production lines to compete more effectively against their foreign competitors.

Arguing that Japanese and European companies benefit from looser anti-trust regulation and co-ordinated government support, Mr Thornburgh said he favoured eliminating the threat of private anti-trust suits against "legitimate joint ventures", particularly in high-cost, high-tech areas such as superconductivity, robotics, computer-aided manufacturing, and high-definition television.

Mr Verity, who is due to be replaced as Commerce Secretary by Mr Robert Mosbacher – the chief Republican fundraiser for Mr Bush's presidential campaign – was even blunter: "The time has come for us to realistically look at the anti-trust laws and try to mould them to our favour and not to the interests of foreigners who have no such restrictions."

This may sound like an industrial policy by any other name but Mr Charles Rule, Assistant Attorney General in charge of anti-trust at the Justice Department, says the Administration merely wishes to clarify existing law by removing uncertainty about the threat of anti-trust litigation – and the customary treble damages in the event of a guilty verdict in the courts.

However, this is the third time in six years that a Republican administration has sought such "clarification". In 1982, companies were allowed to collaborate in export trading companies and then, in 1984, in joint research and development ventures.

Mr Rule says two options are being canvassed among business and congressional leaders. The first is to provide government certification – coupled with periodic review – of joint production ventures that are deemed not to threaten competition.

The alternative is to expand the anti-trust waivers for research and development to include joint production agreements. In this case, companies would not be protected from private suits, but they would not be liable for payment of treble damages and, possibly, legal fees.

Dean Robert Pitofsky of Georgetown Law School says the test will be whether the current review results in an extension of anti-trust protection beyond joint manufacturing agreements to embrace joint marketing pacts between companies. Such changes would, he says, amount to a "radical revision of the law."

Mr Thornburgh's efforts to push back the anti-trust barriers have aroused suspicion that the laissez-faire Chicago School, so influential during the Reagan administration, still has its invisible hand at

Lionel Barber on the debate over making US business more competitive

work in the Bush administration.

In fact, the balance of power has shifted. Not only have leading lights such as Dr Beryl Sprinkel, former chief economic adviser, left Washington, but leading judges such as Robert Bork, Douglas Ginsburg and Frank Easterbrook failed to gain seats on the Supreme Court. Mr Rule, himself a keen supporter of the Chicago School, is to resign shortly and he says somewhat wistfully: "We used to be the only game in town."

The Chicago School's important legacy is a less hostile attitude on the part of the US government to industrial concentration and the subsequent creation of "safe harbours" – whereby companies holding less than a certain market share have a reasonable chance of not being challenged in the courts.

The legacy is partly due to default: the Reagan administration almost invariably declined to intervene to stem the recent tide of hostile takeovers and mergers; it also wanted to restrict its anti-trust enforcement to cases of "naked price fixing". But above all, it reflects a view in Washington that size and capital are increasingly respectable weapons in a US company's struggle for world market share.

The emphasis on international competitiveness also explains a keen interest in how other countries, particularly the European Community, conduct anti-trust policy. Mr Rule says the EC's move towards a single, integrated market by the end of 1992 make it imperative that Brussels adopts a "rational system of merger enforcement" including shorter periods for reviewing mergers and clearer guidelines on what information is required from companies.

Mr Rule says the Justice Department has offered to help the competition watchdog in Brussels, called DG4, draw up merger guidelines, but he expressed some concern over an early draft which included industrial policy concerns. "If it stays that way, there are going to be a lot of unhappy campers in the US," he warns.

The US recently published new guidelines for foreign companies involved in mergers with US companies which includes automatic review of any transaction valued at more than $15m, with the same rule applying to US deals.

Under the Hart-Scott-Rodino provisions, which expand on the basic Sherman and Clayton anti-trust laws, companies must notify the Justice Department and the Federal Trade Commission 30 days in advance of closure of the deal. If the company hears nothing within that period, it can proceed.

Mr Rule says foreign companies receive precisely the same treatment as US companies and are only likely to experience difficulty if they already have a large US market share. A recent example was efforts by Asean-Brown-Boveri and Westinghouse to merge their power engineering businesses into two large joint ventures in north American.

"Brown Boveri was an effective competitor here," said Mr Rule. "It was a top manufacturer of steam generators and power transformers."

The question is whether the drive to improve US competitiveness could tempt congressmen and officials to adapt anti-trust laws to block foreign ownership of key US companies. So far this remains a distant threat, but foreign ownership issue remains a sensitive issue. And Dean Pitofsky, a former Federal Trade Commission member, says the anti-trust option "still lurks below the surface of policy".

Rebel Argentine snipers hold out

By Jeanette Staubus in Buenos Aires

ARGENTINE police and soldiers surrounded two rebel snipers holding out near army barracks on the outskirts of Buenos Aires yesterday, after troops had fought a fierce battle to regain control of the base.

President Raúl Alfonsín planned to address the nation last night on the bloody incident, which recalled the violence of Argentina's turbulent 1970s. But mystery still surrounded the identity of the rebels, who seized the La Tablada barracks on the outskirts of Buenos Aires early on Monday and held out overnight against overwhelming odds. They are said to be members of a left-wing extremist group that has been dormant in Argentina for over 10 years.

By yesterday morning 25 to 30 of the insurgents were dead and 14 had surrendered. Three snipers were arrested early yesterday in an outbreak of shooting shortly after President Alfonsín arrived to tour the barracks.

Shots rang out throughout the day, fired by snipers on roofs around the base who shot at a helicopter carrying President Alfonsín as it flew near the barracks.

Among the troops brought in to take back the base, official reports said that at least four were dead and 24 wounded.

Argentines have been shocked by the bloody shoot-out broadcast on their television screens, a spectre from the past that has returned to haunt them. In the 1960s and 1970s, similar attacks were launched on army bases by left-wing guerrillas such as the Montoneros and the People's Revolutionary Army (ERP).

Tension has been exacerbated by the lack of accurate information and by the mystery surrounding the political bent of what some believe was a suicide squad.

After entering the base, the insurgents distributed pamphlets praising Col Rico and Col Seineldin, who were responsible for three military uprisings over the past two years.

However, evidence found on the corpses of the rebels linked them to the (ERP). There was speculation that the pro-military leaflets may have been decoys, intended to convince the army that they were military rebels.

Mr Cesar Jaroslavsky, the Lower House radical majority leader, identified one of the insurgents as a member of the ERP.

UK NEWS

High pound, interest rates 'have hit export hopes'

By Peter Norman, Economics Correspondent

THE Government policy of using high interest rates and a strong pound to curb inflation has hit confidence among British manufacturers and weakened their export hopes.

In its latest quarterly survey of industrial trends, the Confederation of British Industry, the employers' organisation, has cast doubt on whether manufacturers will be able to contribute significantly to any improvement in Britain's massive current account balance of payments deficit this year.

However, industrial investment continues at a high level, suggesting that companies still hope Government policies will succeed in dampening consumer demand before having a seriously adverse effect on output and profits.

The CBI's January poll of 1,300 companies, employing about half Britain's manufacturing workers and responsible for roughly half the nation's exports, found more managers were gloomier about the future than at any time since summer 1986.

They were significantly less hopeful about export prospects than at the time of the CBI's last quarterly survey in October. In the intervening period, bank base rates were raised to 13 per cent from 12 per cent while the pound's trade weighted exchange rate rose by 2.3 per cent and has risen further since. The number of manufacturers expecting a fall in export deliveries over the next four months more than doubled since October.

Paradoxically, there was a modest increase in the number of industrialists expecting an increase in new export orders between now and April. But this was offset by a sharp fall in optimism about export prospects over the next 12 months to its lowest level for 2½ years.

Presenting the survey, Sir Keith Stuart, the chairman of Associated British Ports, said that manufacturers' concern about exports was not surprising in view of recent upward movements in interest rates and sterling's rise against other currencies, in particular the D-Mark. But while optimism had declined, he stressed that there was "no panic" among manufacturers yet.

Sir Keith said the survey was worrying if the Government hoped that rising exports would contribute to a fall in the Britain's massive current account balance of payments deficit this year. Official figures to be released on Friday are expected to show that the current account deficit reached £15bn in 1988, more than five times 1987's £2.7bn level.

Mr Bryan Gould, the opposition Labour party's Trade and Industry spokesman, said the survey showed that Mr Nigel Lawson, the Chancellor of the Exchequer, "must start devising a budget for industry". He said Britain needs a budget that will cut interest rates and restore confidence.

Treasury officials were less perturbed at the CBI's findings. They said that optimism about exports and business prospects had been high before the latest survey and that the continued determination of manufacturers to invest showed longer term confidence.

Details, Page 31

Labour says 250 hospitals may 'opt out' of authorities' control

By Philip Stephens, Political Editor

THE OPPOSITION Labour Party yesterday claimed that confidential Whitehall documents showed that more than 250 big hospitals may "opt out" of the control of health authorities under the Government's plans for the National Health Service.

Mr Robin Cook, Labour's health spokesman, said that the Government's White Paper (policy document) on the NHS would also include financial incentives which would encourage General Practitioners (GPs) to skimp on the treatment of patients.

Speaking later in the House of Commons, Mr Kenneth Clarke, the Health Secretary, accused Mr Cook of "knee-jerk" reactions to leaked reports of the reforms.

Mr Clarke confirmed that the White Paper would focus on creating an "internal market" in the NHS which he said would provide better care for patients and better value for money. He declined, however, to give specific details until its publication next Tuesday.

He faced some concern among his own parliamentarians over reports that the Government plans to introduce a system of cash-limits for GPs. Mr Jerry Hayes, the Conservative MP for Harlow, said that the absence of such constraints acted as a "safety-valve" for the NHS.

In an attempt to raise the political temperature over the reforms, Mr Cook quoted from what he said was a leaked summary of the main conclusions of the year-long review into the health service.

The document, which Mr Cook said he could not publish in order to protect his source, indicated that the proposals for "opting-out" were far more radical than previously realised.

The White Paper would provide for a big expansion of the NHS Resource Management Initiative, raising the number of hospitals involved from the present handful to around 260 by 1991, Mr Cook said.

Those hospitals, each with more than 250 beds, would then be eligible to cut their links with local health authorities and operate under independent management boards, buying and selling services as they chose, Mr Cook said.

The document showed that once that stage had been reached, the Government planned to merge the existing district health authorities with the Family Practitioner Committees, responsible for GPs.

In parallel, the Government's plans to give GPs budgets to "buy" hospital care for their patients would include the provision that any money not spent could be kept by the individual practices. That would provide a direct incentive to doctors to look for the cheapest care, and to take on only young and fit patients. Their drug bills, meanwhile, would be fixed by Regional Health Authorities.

Japanese estate set for Wales

By Anthony Moreton, Welsh Correspondent

A JAPANESE-backed consortium is to establish an industrial estate in South Wales. It is aimed at attracting more Japanese companies to the principality.

Two of the 18 Japanese companies already established in Wales are understood to be behind the purchase of a site near Cardiff of about 60 acres which will be developed immediately.

The intention is to market the site in Japan to companies wanting to establish a presence in the European Community before the creation of the internal market in 1992. It will contain not only large factories suitable for large concerns but also smaller units.

A second consortium is already seeking a similar site.

The idea for involving the Japanese at ground level arose during a visit to Japan last August by Mr Gwyn Jones, then newly appointed chairman of the Welsh Development Agency, and Mr David Waterstone, its chief executive. The project was enthusiastically backed by Mr Peter Walker, the Welsh Secretary, who has been anxious to see more overseas investment in Wales.

The scheme would allow companies with little spare management or without English-speaking executives, which have always fought shy of the big leap involved in projects abroad, to begin production in Europe.

They would come to an industrial estate built and managed by fellow countrymen and so be sheltered under the wing of people who speak their own language.

Among the 18 Japanese companies which have set up in Wales since the arrival of Takiron in 1972 are major concerns such as Sony, National Panasonic, Brother Industries, Orion and Yuasa Batteries. Wales has the largest concentration of Japanese concerns of any part of Britain.

Engine components plant to be re-equipped

Ford to invest £50m at Belfast factory

By Kevin Done, Motor Industry Correspondent

FORD IS to invest close to £50m on re-equipping its engine components plant in Belfast, Northern Ireland, in a move which the company said would safeguard the factory's future during the 1990s.

The plant will supply components for Ford's new generation of engines to be produced at Bridgend in South Wales.

Ford announced last October that it would spend £725m to build a new engine plant at Bridgend, the largest single investment it has ever undertaken in the UK. It is part of the company's planned £1.8bn investment programme in the UK over the next five years.

The new engine plant will have a capacity for producing up to 850,000 engines a year compared with the present Bridgend capacity of around 500,000 a year. Production is due to begin in summer 1991.

The announcement follows the decision by Montupet, the French motor components company, to invest £90m in a plant to make aluminium cylinder heads primarily for supply to Ford in Bridgend.

The Montupet plant, at the former De Lorean car factory in west Belfast, will create about 1,000 jobs. Ford said yesterday that its £50m investment would create no additional jobs.

The plant, which has a workforce of about 600, will make oil and water pumps and fuel injection components for the so-called Zeta range of engines.

Ford said the investment would make the Belfast plant one of the most modern of its kind in Europe with an annual capacity to produce more than 1m oil and water pumps and 300,000 carburettors, for which it will be the sole European source.

Gearing up, Page 20

Satellite TV beats Extel to the wire

By Raymond Snoddy

SATELLITE television yesterday won the unequal race to provide live coverage of horse racing to the betting shops of Britain.

Extel, the information group owned by United Newspapers, admitted that its combination of data and sound commentaries could no longer compete with the banks of television sets carrying live pictures from dog and horse racing tracks all over the country.

As a result, the company will stop supplying its racing information service to betting shops from June 30. It will shed 280 jobs.

Since its launch with an obscure five-furlong race for two-year olds at Chester racecourse in May 1987, Satellite Information Services, in which the big bookmakers have a significant stake, has made dramatic inroads into the £4bn a year betting industry.

More than 9,000 of the UK's 10,250 betting shops have either got, or are contracted to take, the satellite television service. The specialised service, which can be received only by subscribing betting shops, is beamed to a communications satellite which retransmits the signal to dish aerials outside the shops.

Mr Monty Court, editor of The Sporting Life, the racing daily newspaper, said yesterday that Extel's traditional service stood no chance in the age of television.

Extel, which had also wanted to run a satellite racing television service was, like SIS, a contender for the contract from the Racecourse Association, the organisation representing owners of more than 50 UK racecourses.

Mr Graham Wilson, finance director of United Newspapers and chairman of Extel, said the closure resulted from a combination of the shrinking number of betting shops and the increasing rate at which the remaining shops were signing up with SIS.

In 1986, when the racecourse agreement was being awarded, Extel management were facing pressure from a number of potential suitors.

SIS said it would connect as many betting shops as possible between now and the end of June. Smaller shops would be able to take just the satellite transmission soundtrack for less than half the annual subscription of £3,600 to £7,000.

Background, Page 30

How the Bank appeared to be caught off its guard

David Lascelles looks at the Equiticorp affair

THE BANK of England has gone to some pains over the last few days to justify its handling of the Equiticorp affair.

But the more details emerge about it, the harder it is to avoid the conclusion that it represents a major embarrassment.

The collapse of Equiticorp last week immediately raised questions about the Bank's failure to prevent the New Zealand-based company from buying a 61 per cent stake in Guinness Mahon, the City of London accepting house.

The Bank claims that it was powerless to stop Equiticorp getting into that position, yet that claim does not square readily with the considerable moral and statutory power which it exercises over the City.

The saga dates back 18 months when Equiticorp, a fast-growing diversified group headed by Mr Allan Hawkins, made a bid for Guinness Peat, Guinness Mahon's parent.

During the bitterly contested fight that followed, Mr Alastair Morton, Guinness Peat's chief executive, told the Bank of England that he did not consider Equiticorp "fit and proper" to own a UK bank.

Although Mr Morton had a clear interest in denigrating his predator, Equiticorp was widely viewed in the City at the time as, at best, an unlikely bidder.

But Mr Morton was informed by Mr Rodney Galpin, the executive director in charge of banking supervision, that the Bank had checked Equiticorp out with the Reserve Bank of New Zealand and received a positive report.

Mr Galpin has since become chairman of Standard Chartered. Asked to comment yesterday, he declined, citing confidentiality.

The bid took place at an awkward time for the Bank. Its traditional moral authority had been seriously undermined by the Johnson Matthey Bankers scandal, but it had not yet acquired new statutory powers to vet bank shareholders under the imminent 1987 Banking Act.

The Bank now maintains that the absence of these powers prevented it from blocking Equiticorp, even if it had wanted to.

Nonetheless, it appeared to exercise its powers of persuasion over Mr Robert Maxwell, the publisher, who launched a rival bid for Guinness Peat, but then withdrew it, stating that "it would be wrong" for him to acquire a major stake just before the Act came into force.

Ironically, the 1987 Banking Act was enacted only one day after Equiticorp completed its bid.

It gave the Bank authority to prevent undesirables from owning more than 15 per cent of a UK-registered bank, and the powers were specifically framed to enable the Bank not merely to block future owners, but also to look at existing owners and weed out those it did not like.

In a "Statement of Principles" issued last year, the Bank gave notice that it intended to apply its "fit and proper" criteria in a tough way, particularly with large shareholders, and that it would measure the shareholder's influence and risk of "contagion" if it got into trouble.

Yet it took no immediate action against Equiticorp despite the New Zealand group's obviously deteriorating financial condition, and the widespread opinion in the City that it was an unstable shareholder.

In its defence, the Bank says it never officially declared Equiticorp to be "fit and proper", despite repeated requests from the company.

However, the Bank does not disclose publicly which bank shareholders have not been approved, so this sanction has little effect on a bank's standing in the market.

(The Bank says that there are very few minor instances now of unapproved bank shareholders).

What the Bank did do was ensure that Guinness Mahon was run independently of the parent by a well-known senior banker, Mr Geoffrey Bell, formerly of Schroders, and that it did not lend money to Equiticorp.

The Bank's worry was that Equiticorp would plunder Guinness Mahon to finance its other activities.

The seriousness of Equiticorp's predicament became evident in June when the Bank received an anonymous packet containing documents which suggested that it had been ramping Guinness Peat's share price.

The aim was allegedly to preserve the value of Equiticorp's investment in Guinness Peat, and protect the security for the £130m loan it had obtained from a 28-bank syndicate led by Samuel Montagu.

This would not have been hard to do since 80 per cent of the stock was in the hands of Equiticorp and other major shareholders, Lord Kissin and Mr Maxwell.

With only 20 per cent on the market, it would take only relatively small purchases to move the price.

The transactions were made by Grimper Trading which bought about 2 per cent of Guinness Peat through three nominees, Barclays Bank, James Capel, and Den norske Creditbank in the early part of last year.

Grimper is a Liberian company located at 885, Third Avenue, New York. This is the same address as Capitalcorp, a subsidiary of Equiticorp, though both companies have since left.

Around last March, Guinness Peat became suspicious of the link but, on challenging Equiticorp, received assurances that the companies were unconnected. This was reported to the board in the normal course.

The Bank, meanwhile, passed the information on to other regulatory authorities, triggering an official inquiry by the Serious Fraud Office.

Last August, the Bank decided the position had become unacceptable, and asked Equiticorp to sell its stake.

The shares were offered to numerous potential buyers, particularly abroad.

One, the Tokai Bank, was becoming interested, and in November the Bank persuaded the SFO to delay its inquiries to help the deal go through.

But the talks broke down, so the inquiry proceeded.

Although the Bank has been thrown on the defensive by the affair, it can at least point to the fact that Guinness Mahon has survived Equiticorp's collapse unscathed; its deposits are secure and there are no loan losses.

And recent events will speed the transfer of Guinness Mahon ownership into more secure hands.

On the other hand, the Bank has frequently preserved UK banks from doubtful owners in the past, and the presumption has always been that it had the power to arrange matters to its liking.

It appears to have been caught off guard by Equiticorp, though with the subsequent enactment of the new law, it is better placed to prevent a repeat.

Barclays, Halifax to pay interest on current accounts

By David Barchard

BARCLAYS Bank, Britain's second biggest commercial bank, and Halifax, the largest building society, yesterday unveiled plans to offer cheque book current accounts which bear interest.

The announcements intensify the battle between banks and building societies for current account customers. Current accounts require no notice for money withdrawal.

Lloyds and Midland banks launched interest-bearing current accounts earlier this month in a defensive move aimed at stemming the loss of customers to Nationwide Anglia and Abbey National. Both building societies already offered interest bearing accounts. National Westminster, the largest of the four big commercial bank, is expected to follow shortly.

Barclays will offer its 7m personal customers from February 6 a choice between three different types of current account. It has scrapped transaction charges on current accounts, whether in debit or credit, with effect from December 5 last year.

Mr Andrew Buxton, managing director of Barclays, said he believed the bank was offering its customers "the best overall deal available from any financial institution" when competition in the high street had never been stiffer.

Alongside its traditional current account Barclays is offering two others:

● Instant Account, a card-based current account with no cheque book and nor overdraft facilities, but which pays interest; and

● Interest Account, which offers full cheque book services, pays interest on balances in credit, but charges an annual £10 fee and reservation fees on authorised overdrafts.

Barclays said yesterday that Instant was aimed at young people who did not want a cheque book and Interest at those who kept big balances and seldom needed overdrafts.

Instant will pay interest of 4.5 per cent on balances under £500 and 6.5 per cent on balances above that. This is half a percentage point higher than will be offered on the Interest Account.

As with the Lloyds and Midland interest bearing accounts, it looks as if much of the cost of Barclays Interest Account will be paid for by customers who incur overdrafts of more than £100.

Barclays expects that between 15 and 25 per cent of its current account funds will move into the new accounts in the first year. The cost of launching the new accounts is expected to be up to £65m, although Mr Buxton said that the bank hoped to regain some of this money by selling additional financial services to its current account customers.

Separately, the Halifax announced yesterday that it is following Abbey National and Nationwide Anglia into the cheque book market towards the end of the year. The move reverses the society's previous strategy of relying solely on card-based electronic accounts.

BPB cuts prices of plasterboard

By Andrew Taylor
Construction Correspondent

BPB INDUSTRIES, Europe's biggest plasterboard manufacturer, has cut the British prices of its best-selling products by 4 per and further reduced its French and German prices.

The move, which has been followed by BPB's leading European rivals, is set to intensify a European price war in the industry.

The company's main rivals in Britain are Knauf, a West German company which will shortly start manufacturing plasterboad at a new plant in Sittingbourne, Kent, in south-east England, and Redland, the British building materials group which, with CSR of Australia, is supplying plasterboard to the UK.

Redland, which has been importing plasterboard from continental Europe, is due to start production at a new plant near Bristol in south-west England this autumn.

BPB has estimated that by the end of 1989 Britain will have the capacity to manufacture 260m sqare metres of plasterboard a year.

This capacity compares with last year's annual plasterboard sales of about 180m sq metres.

BPB has been Britain's only plasterboard manufacturer since Imperial Chemical Industries, the UK's biggest chemicals company, closed its Billingham plant in Cleveland, north-east England in 1968.

BPB has traditionally supplied more than 90 per cent of plasterboard sold in the UK.

The company is also the largest French manufacturer and the second largest in West Germany, behind Knauf.

BPB, which is estimated to manufacture about half of the plasterboard sold throughout Western Europe, has cut its French and German prices by about 10 per cent.

This move follows previous bouts of price-cutting in Germany and France by BPB, Knauf and Lafarge Coppée, the large French building materials group.

The purchase of Rigip's German plasterboard interests by BPB in 1987 prompted Knauf to retaliate by establishing its first UK plant at Sittingbourne.

Knauf plans to build a second UK plant in Humberside on the north-east coast of England.

BPB's main competitors in France are Lafarge Coppée and Knauf.

BPB also leads the plasterboard market in Austria, Sweden, the Netherlands and Ireland.

A circular on the industry published last year by Phillips & Drew, the London stockbroker, estimated that 280m square metres of new European plasterboard capacity would be available by 1990.

Plasterboard demand over the same period, however, was forecast by the broker to rise by only 40m square metres.

International builders hasten the spirit of 1992

Andrew Taylor says construction activity in Britain is already reflecting freer competition

TAKE a stroll past City of London building sites before venturing east along the banks of the River Thames to the former docks, and you might be forgiven for thinking 1992 was here already.

That is the year when European Community trade barriers are due to be dismantled, and should, in theory, allow EC construction companies, along with other types of businesses, to compete freely throughout the Community unrestrained by national boundaries or local politics.

In parts of London the new common market for construction already seems to have been anticipated judging by the number of international companies working on some of Europe's largest private sector developments.

Within a short distance of the Financial Times' headquarters near St Paul's Cathedral in the City of London can be found Japanese, Swedish and Canadian developers, US project managers, Danish housebuilders, French piling contractors and Belgian steel fabricators.

Closer examination would reveal German curtain walling, Swiss lifts adding to a host of foreign-produced building components contributing to a UK building materials trade deficit last year of more than £2bn.

The last few weeks has seen an increase in joint ventures and the purchase of strategic stakes between contractors from Britain and continental Europe as they jockey for market position in the run up to 1992.

Most of the deals have involved British and French companies which appear to be more advanced than other EC countries in developing marketing strategies for 1992. They have included:

● Bovis, the British construction group, which just before Christmas announced that it had acquired a 15 per cent stake in the French builder Les Constructeurs Professionels Associés (Copra SA). Bovis has formed a Paris-based management contracting joint venture with Copra.

● John Brown, the engineering subsidiary of Trafalgar House, the British construction, property shipping and hotels group which, at the beginning of this month announced that it had acquired a 35 per cent stake in Sofresid, France's, second largest process plant developer.

● John Mowlem, which has acquired the French scaffolding group Comabi for £10m and has increased its stake in the Spanish scaffolder, Construcciones Desmontables Tubulares, from 30 per cent to just over 50 per cent.

● Société Générale d'Entreprises, the French construction group which is 55 per cent owned by Compagnie Générale des Eaux, France's largest water supplier, last week announced that it was negotiating to by a 52 per cent stake in Norwest Holst the British civil engineer.

British and Continental companies have also formed one-off joint ventures to bid for individual contracts, mostly in the UK. These include John Laing which with GTM Entrepose, Europe's ninth largest contractor by turnover, is bidding to build a privately financed second crossing of the River Severn in the west of England.

Hollandsche Beton Groep of the Netherlands is a member of a rival consortium led by Tarmac of the UK which is also bidding for the Severn contract.

Spie Batignolles, the large French contractor, has joined Wimpey, Costain and Taylor Woodrow to offer a privately financed high-speed rail link between London and the Channel tunnel. All four companies are part of Transmanche Link, the Anglo-French consortium which has been contracted to design and build the £5bn Channel tunnel due for completion in 1993.

So what is in it for British companies which are providing opportunities for French partners to bid for work in the UK?

Mr Walter Hogbin, chairman of Taylor Woodrow International, says there are three basic reasons why a British contractor would be prepared to form a relationship with a company from continental Europe on a UK contract.

"The project might be financed by Continental companies which might want to see one of their own contractors getting some of the work. Or the company, as with Spie Batignolles, might be providing technology which cannot be acquired locally.

"Another explanation might be that British companies by opening up their own market are hoping to get a return invitation to bid for work in their partners' country," said Mr Hogbin. It has not entirely been a one-way street. John Laing is in partnership with L'Entreprise Industrielle of France and Lemminkainen of Finland to build a £31.5m paper mill at Strasbourg in France for United Paper Mills of Finland.

British companies have also large consortia bidding for work in southern European countries which lack the local capacity to finance and carry out major works on their own.

Taylor Woodrow is bidding with Holzman of West Germany, Fougerolle of France and and Astaldi and Recchi of Italy for a large irrigation and hydroelectric scheme in Greece. The same British company is part of a German, Greek, Belgian, Swiss and Swedish consortium bidding for the contract to build the Athens metro.

But will an increase in joint ventures and the acquisition of strategic share stakes in companies from other countries lead to full-scale takeover bids being mounted?

The share prices of most British construction companies with large commercial property portfolios and housing landbanks are currently well below the market value of their assets. This could make them vulnerable to a Continental predator or even another British company.

P&O, the British shipping and construction group, has recently built up a near 10 per cent stake in Taylor Woodrow while Trafalgar House has acquired more than 8 per cent of Costain, the construction and mining group.

Companies mounting hostile bids for foreign contractors could, however, come unstuck, according to stockbrokers Phillips & Drew.

"The success of a contractor depends on the expertise and experience of its staff. If they leave as a result of a hostile bid the successful purchaser could still lose out," it says.

French construction companies tend to have complex cross-holdings in each other. German contractors have banks and financial institutions as major shareholders, which could make it difficult for British companies contemplating bids in these countries.

What seems certain is that there will be more joint ventures and strategic stake building between companies in Britain and on the European continent.

Takeover offers are not out of the question and Scandinavian companies anxious to establish a stronger base in a booming UK construction market cannot be excluded as possible predators.

EC CONTRACTORS RANKED BY TURNOVER

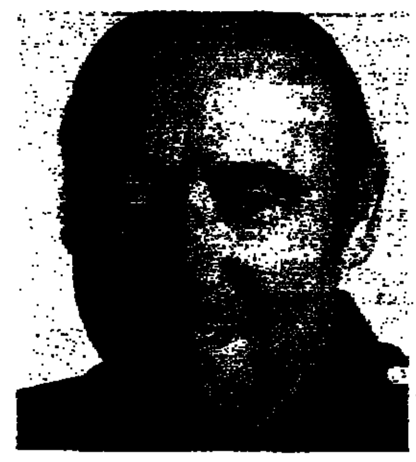
		£bn
Bouygues	France	3.90
Trafalgar House	UK	2.37
Tarmac	UK	2.20
Spie Batignolles	France	1.72
Soc Auxiliare d'Entreprises	France	1.71
Dumez	France	1.65
Hochtief	Germany	1.52
Wimpey	UK	1.48
GTM Entrepose	France	1.28
Balfour Beatty	UK	1.19

Source: Taylor Woodrow, from annual reports and accounts

EC CONTRACTORS RANKED BY PRETAX PROFIT

Company	Country	£m
Tarmac	UK	285.4
Trafalgar House	UK	163.2
Wimpey	UK	95.8
Taylor Woodrow	UK	73.1
Beazer	UK	72.3
Bouygues	France	72.1
Costain	UK	66.2
Dumez	France	63.9
Mowlem	UK	50.2
Laing	UK	45.7

"WATCH YOUR B*O*DY LANGUAGE."



Playing host each year to 36 million people from all over the world is no easy task. Here, noted manwatcher Desmond Morris treats us to a light-hearted look at some of the deadly, but unintentional gaffes that can so easily occur when cultures collide at Heathrow, the world's premier international airport. To find out more about the eye-pull, the ear-tug, and the celebrated Greek 'moutza,' now read on....

I'm never bored at airports. Quite the reverse. I visit them like other people go to the ballet. To a Manwatcher, there's nothing more fascinating than observing citizens of different countries mingling and exchanging body signals.

And nowhere is the performance so enjoyable as at Heathrow, the world's top international airport.

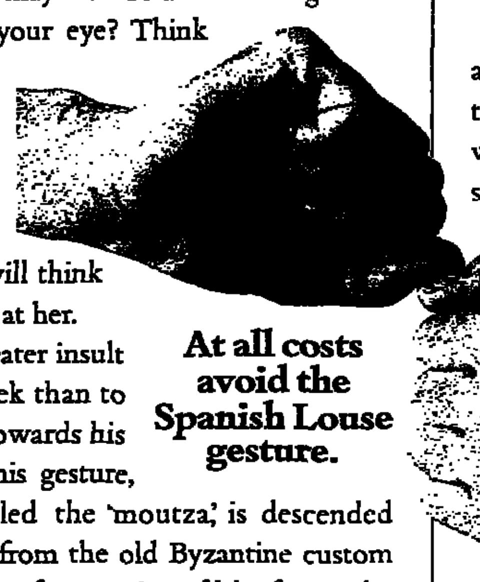
Day and night they pour in, a cast of 36 million a year from every corner of the globe.

Where else but Heathrow could you hope to see Brazilians rubbing shoulders with Brahmins, Poles with Polynesians, Madagascans with Minnesotans and Neapolitans with Nepalese?

Intelligence or stupidity? It depends whether you're Dutch.

Each nationality has its own language of posture and gesture. But since these body-lingos are often mutually incomprehensible, an innocent gesture made in an airport lounge may well be an unwitting insult.

Something in your eye? Think before you touch the lower lid. If a Saudi sees you, he'll think you're calling him stupid, but a South American senorita will think you're making a pass at her.

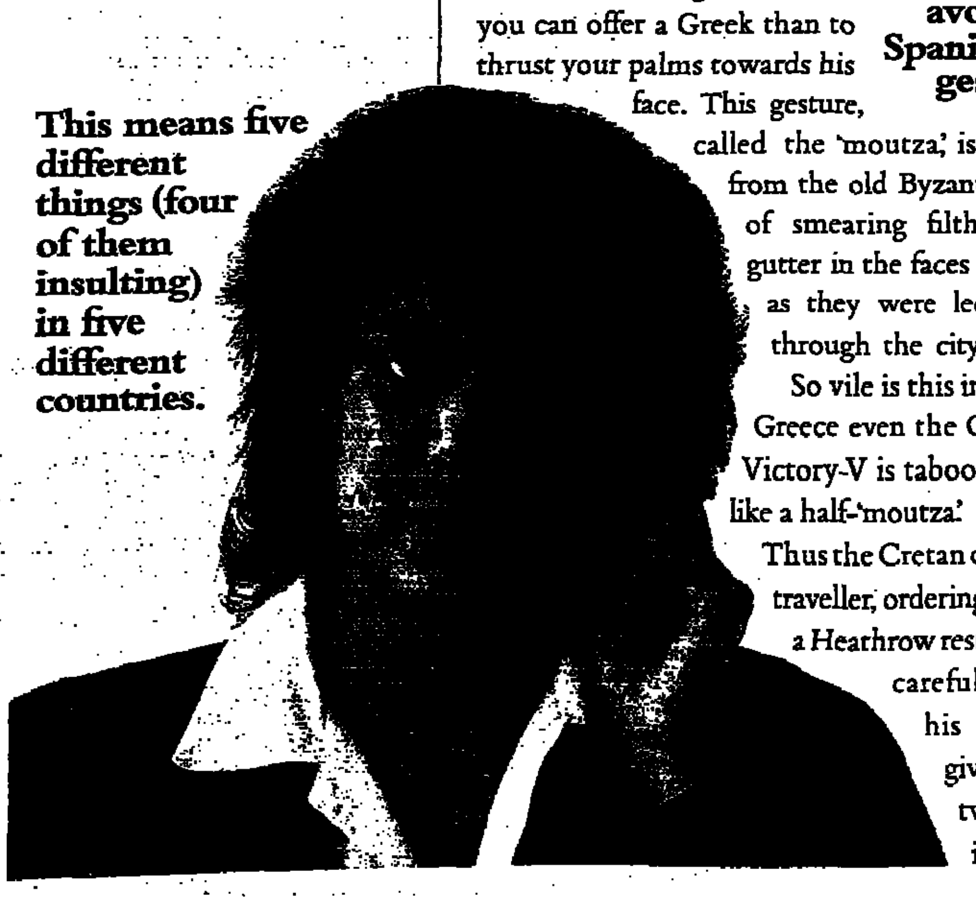


At all costs avoid the Spanish Louse gesture.

There is no greater insult you can offer a Greek than to thrust your palms towards his face. This gesture, called the 'moutza,' is descended from the old Byzantine custom of smearing filth from the gutter in the faces of criminals as they were led in chains through the city.

So vile is this insult that in Greece even the Churchillian Victory-V is taboo, as it looks like a half-'moutza.'

Thus the Cretan or Athenian traveller, ordering two teas in a Heathrow restaurant, will carefully reverse his palm and give the waiter two fingers in the best Harvey Smith manner. With 22,600 orders for cups of tea open to misinterpretation every day, the wonder is the place functions at all.



This means five different things (four of them insulting) in five different countries.

It's so easy to give offence. Suppose a passenger asks at the Information Desk where he should go to pay his airport tax.

Now the good news is that at Heathrow, unlike many airports I could name, passengers don't pay any taxes. But just as the Information Assistant begins to say so, she is assailed by a tremendous itch and tugs at her earlobe.

Astonishing though it may seem, this simple gesture means five different things in five different Mediterranean countries.

In America this means 'A-OK.' **In France it means 'zero.'**

Depending on his nationality, the Assistant has offered the passenger the following insult:

TO A SPANIARD: 'You rotten sponger.'

TO A GREEK: 'You'd better watch it, mate.'

TO A MALTESE: 'You're a sneaky little so-and-so.'

TO AN ITALIAN: 'Get lost you pansy.'

Only a Portuguese (to whom the gesture signifies something ineffably wonderful) would hang around long enough to hear the answer.

Happily, I can report that BAA's information staff are trained in body language.

A Sardinian woman asks if it is easy to find a taxi at Heathrow. The answer she gets is a cheery British thumbs up. (Very likely from one of the 900 cabbies who serve the airport on an average day.) Immediately, she clonks the unfortunate man with her handbag for making such a devastatingly obscene suggestion. This is why, incidentally, it's inadvisable to hitch-hike in Sardinia.

Isn't there at least one truly international gesture? Don't bet on it.

A Japanese asks an American passenger whether Heathrow has a luggage trolley service. It has. And as it happens, this service is not only first class, but FREE! So the Yank replies with the famous 'A-OK' ring gesture. But to the Japanese this signifies 'money' and he concludes there is a large charge for the service.

Meanwhile, a Tunisian on-looker thinks the American is telling the Japanese that he is a worthless rogue and he is going to kill him.

The ring-gesture can have further meanings.

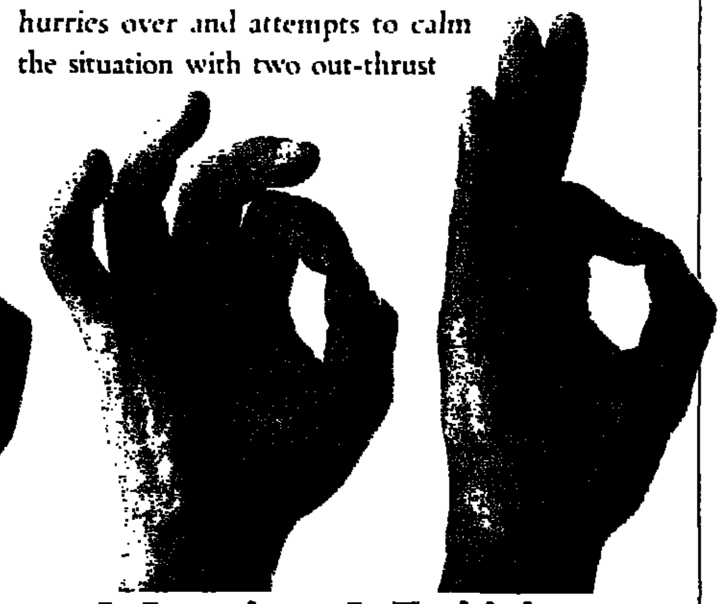
A Frenchman has just read a BAA advertisement. Glancing around the restaurant in Terminal 4, he remarks wonderingly to his wife, 'You know how much zis aeroport cost the British taxpayer? Not a sou.' And he makes the finger and thumb ring which to him means 'zero.'

Unfortunately, at the time he is glancing at a Colombian who is enjoying a fine Burgundy with his steak Bearnaise. The Colombian, enraged by the deadly obscenity which he assumes is directed at him, chokes on his wine and catches at his nose with finger and thumb.

The Punjabi Snake Tongue means 'you're a liar.'

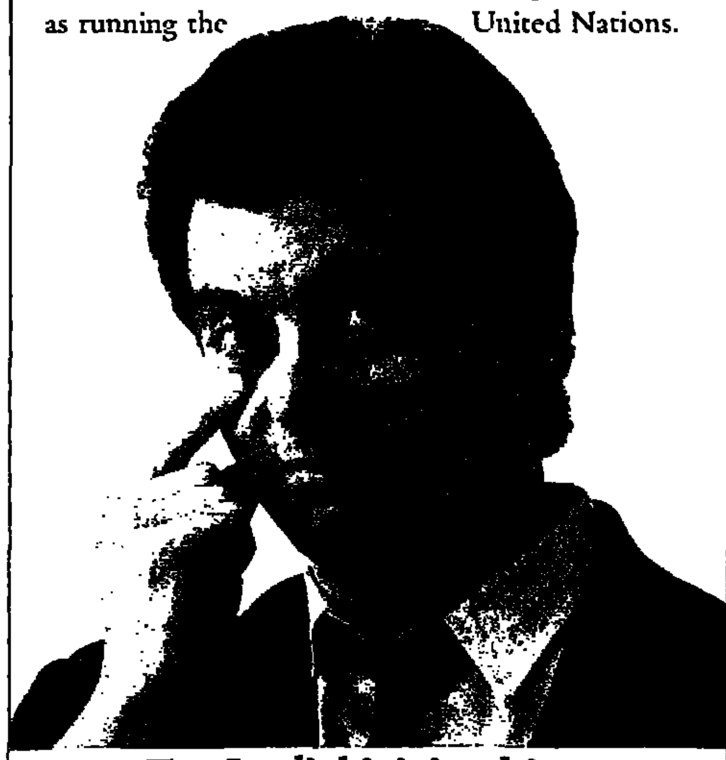
This appalls a Syrian sitting opposite, who thinks the Colombian is telling him to 'go to hell.'

The Syrian is restrained with difficulty by his Greek colleague from getting up and punching the Colombian on the nose. Meanwhile the maitre d' hurries over and attempts to calm the situation with two out-thrust palms. This of course is taken by the Greek to be a double-'moutza' and in his rage he promptly skewers the unfortunate man with his fish knife.



In Japan it means 'money.' **In Tunisia it means 'I'll kill you.'**

Of course I am exaggerating to make a point, but I do find it astonishing that Heathrow receives only 8 complaints per 100,000 passengers. Keeping the lid on this simmering rum-punch of international emotions must take every bit as much diplomatic skill as running the United Nations.



To a Saudi this is insulting. To a Florentine deeply flattering.

But even if you're never treated to such a choreography of misunderstandings, the Heathrow ballet is never dull.

Eyes peeled, next time you're there.

(And if you spot anything really unusual, like the South American Goitre Sign, or the Hawaiian Missing Bottle Waggle, do write and let me know.)

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JOBS

Best year on record for executive demand

By Michael Dixon

PHEW, at last the fingers can be uncrossed and the breath released. For 1988 has indeed turned out to be a record year in demand for managers and higher-ranked specialist workers, at least in the United Kingdom which seems to be the only country where counts of executive job openings are kept.

The cause of the formerly bated breath among the UK count-keepers at the MSL management consultancy, was that they were kept in doubt until the very last moment whether 1988 would be the best year for demand since their quarterly checks began in 1959. While the number of executive posts advertised in UK national journals continued high through January-November, December brought a fall heavy enough to sink the whole final quarter's tally below the count for October-December the year before.

In the end, however, the annual total was 63 jobs up on the previous best in 1985. And although MSL's checks miss the many senior posts advertised solely in specialist and local journals or filled by executive-search methods, hearsay reports suggest that 1988 was splendid all round.

Detailed results of the consultancy's checks for the past five years are shown by the table above, which before going on to give the annual and quarterly totals at the bottom, breaks down the yearly tallies into eight broad categories of work. ("Others" covers people such as buyers, legal staff, economists and assorted consultants.)

UNITED KINGDOM ADVERTISED DEMAND FOR MANAGERS AND KEY SPECIALISTS
(Year to December 31)

Type of work	1988 Posts advertised	1988 Change from 1987 %	1987 Posts advertised	1987 Change from 1986 %	1986 Posts advertised	1986 Change from 1985 %	1985 Posts advertised	1985 Change from 1984 %	1984 Posts advertised	1984 Change from 1983 %
R & D	4,004	+18.7	3,374	−8.4	3,683	−44.8	6,674	−10.5	7,457	+3.7
Sales & mktg	5,707	−9.1	6,276	+1.7	6,174	−4.6	6,471	−5.1	6,822	+6.5
Production	7,589	+38.9	5,465	+13.6	4,809	−31.7	7,036	+1.5	6,931	+14.8
Accounting	7,716	+1.2	7,627	+19.1	6,402	−4.7	6,721	+12.4	5,978	+13.8
Computing	4,947	+50.0	3,298	−11.8	3,739	−13.8	4,337	+7.4	4,040	+34.8
General mgt	1,623	+0.7	1,611	+27.1	1,268	−5.1	1,336	+2.0	1,310	+2.6
Personnel	1,097	−0.5	1,103	+19.6	922	−4.2	962	−6.3	1,027	+14.9
Others	7,519	+15.1	6,531	+18.9	5,493	−16.8	6,602	+14.6	5,759	+42.9
Total	40,202	+13.9	35,285	+8.6	32,490	−19.1	40,139	+2.1	39,324	+15.4
Jan-March	11,223	+22.4	9,168	+4.1	8,804	−24.3	11,624	+9.3	10,637	+16.9
April-June	10,593	+23.2	8,597	+5.2	8,172	−21.5	10,412	+3.8	10,034	+20.3
July-Sept	9,338	+12.9	8,274	+8.0	7,664	−19.4	9,507	−2.6	9,760	+20.7
Oct-Dec	9,048	−2.2	9,248	+17.8	7,850	−8.7	8,596	−3.3	8,893	+3.9

While the only marked disappointment is in sales and marketing, that down-turn alone would once have been enough to make MSL dubious about prospects in months to come. For hitherto ebbs and flows in sales and marketing recruitment have usually been lead indicators of movements in the demand for executives as a whole.

But now the counters' optimism is unalloyed. "The market pattern has changed in several ways of late," said one of them. "For example, on past trends, the decline in demand that began in mid-1985 would have gone on for about three years. But in fact the market jumped back to the growth path after only 18 months. So perhaps sales and marketing don't work as a lead indicator any more.

"We aren't much worried by December's slump either. To judge by the flow of jobs since new year, we may well be headed for a record first quarter's tally yet again."

The good industrial omens in the table — production as well as computing hit an all-time high — are endorsed by the consultancy's checks on specific business areas. Executive jobs in the high-technology field rose by 38 per cent over 1987 to 3,752, and in energy-related concerns by 45 per cent to 2,091.

Even so, both areas stayed far below their 1985 peaks of 4,886 for high-tech and 4,330 for energy-related. Moreover, compared with that previous best year, the 1988 pattern of demand — apart from the production category — has swung away from front-line work such as research and development and selling to "staff" activity. The different categories' shares of the totals in the two years in question were:

Type of work	*1988* %	*1985* %
R & D	10.0	16.6
Sales & mktg	14.2	16.1
Production	18.9	17.5
Accounting	19.2	16.8
Computing	12.3	10.8
General mgt	4.0	3.3
Personnel	2.7	2.4
Others	18.7	16.5

That shift in the pattern makes me, at least, chary of joining in the count-keepers' unclouded optimism.

Scotland

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DIVIDEND NO. 107
ON SHARE WARRANTS TO BEARER

Pursuant to the notice published on 20th December, 1988 members are informed that the rate of exchange at which payments of the above dividend are to be despatched by the United Kingdom Paying Agents on 2 February, 1989 is 1 rand of 100 cents equals 23.613666p United Kingdom currency. The gross dividend payable by the United Kingdom Paying agents is therefore, equivalent to 94.4555p per share. Holders of share warrants to bearer are informed that payment of Dividend No 107 will be made on or after 2nd February, 1988 upon surrender of Coupon 110 at the office of Hill Samuel & Co. Ltd., 45 Beech Street, London EC2P 2LX.

	Amount payable per share (U.K. Currency) p
Equivalent in United Kingdom currency of dividend declared	94.4555
Less: South African Non-Resident Shareholders' Tax of 15%	14.1683
AMOUNT PAYABLE WHERE A U.K. INLAND REVENUE DECLARATION IS LODGED WITH COUPONS	80.2872
Less: United Kingdom Income Tax @ 10% on the gross dividend *(See Notes 1 & 2 below)*	9.4455
AMOUNT PAYABLE WHERE COUPONS ARE LODGED WITHOUT UNITED KINGDOM INLAND REVENUE DECLARATIONS	70.8417

Coupons must be listed on forms obtainable from the Office of Hill Samuel & Co. Ltd. and deposited for examination on any weekday (Saturday excepted) at least seven clear days before payment is required

99, Bishopsgate,
LONDON EC2M 3XE
23rd January, 1989

BARNATO BROTHERS LIMITED
London Secretaries
Mrs. A.F. Smith
Secretary.

NOTES:

(1) The gross amount of the dividend for use for United Kingdom Income and Surtax purposes is 94.4555p

(2) Under the Double Taxation Agreement, between the United Kingdom and the Republic of South Africa, South African Non-Resident Shareholders' Tax applicable to the dividend is allowable as a credit against the United Kingdom Tax payable in respect of the dividend. The deduction of tax at the reduced rate of 10% instead of at the standard rate of 25% represents and an allowance of credit at the rate of 15% in respect of South African Non-Resident Shareholders' Tax.

CONTRACTS & TENDERS

ANNOUNCEMENT OF TENDER

The Saudi Arabian National Guard announces the tender of the three (3) year project for the management, operation and maintenance of the King Fahad Hospital complex and associated facilities located in Riyadh, Saudi Arabia. This project incorporates full management, operation, and maintenance inclusive of all functions, facilities, and services contained therein. King Fahad Hospital is a 600 bed tertiary care facility with 400 beds currently in operation. Specialized firms and establishments in this field who are interested in tendering for this project are invited to submit documents and certificates establishing they meet the following:

1. Proof of licensing, registration or certification as a professional hospital management and operation firm in the Kingdom of Saudi Arabia and/or abroad. Such license, registration or certificates must have been in effect for a period of at least five (5) years.
2. Experience in the operation and management of hospital facilities totalling a minimum of 2500 beds during the past ten (10) years preceding this announcement. Such experience may be comprised of a cumulative total of bed capacities for facilities managed during this period. Experience during the most recent past four (4) years must include operation and management of a tertiary care hospital facility having at least 300 operational beds.
3. The tendering firm must be the sole responsible entity to the National Guard for performance of all requirements.
4. The capability to recruit required personnel in the specialized professions and trades required, from a number of different countries.
5. Appropriate corporate infrastructure consisting of facilities, staff, organization, administrative resources and functional capabilities to perform a project of the size and type required.
6. Facilities and capabilities available either through agreement or within corporate resources, for the training and advanced education of personnel in all specialities and areas of expertise required in the hospital. Such capabilities must exist with reputable educational and teaching hospitals located in one or more advanced countries.

In addition to the above, firms or establishments must submit documents establishing and showing the following:

a. Substantiating primary line of service and business.

b. Financial statements for the most recent past five (5) years.

c. Commercial Registration and Certificate of Chamber of Commerce Registration in the Kingdom of Saudi Arabia or in the country of origin.

d. A complete organization chart of the firm or enterprise. A comprehensive listing of all key personnel, directors, and senior staff shall be included which profiles each individual's qualifications, experience, education, and nationality.

The documents and certifications required above must be fully authenticated by the appropriate authorities and professional bodies of the country where the firm is operating. All submitted documents must be officially authenticated by the respective Saudi Arabian embassy or consulate. Documents shall be submitted to:

National Guard Headquarters
Room 2040, Second Floor
Khurais Road, Riyadh 11173
King Fahad Hospital Project, Riyadh
TELEX 401604 NATGRO SJ
Kingdom of Saudi Arabia

not later than MONDAY 28/7/1409 H, corresponding to 6 MARCH 1989.

Tender documents for this project shall be available for purchase by those who meet the requirements mentioned in this announcement at a cost of SR 150,000 per set, from the:

National Guard Headquarters
Bids Department
Room 3029, Third Floor
Khurais Road, Riyadh 11173
Kingdom of Saudi Arabia

commencing on SATURDAY 16/9/1409 H, corresponding to 22/4/1989 through 24/9/1409 H, corresponding to 30/4/1989.

Bids shall be submitted to Room No. 2040, Second Floor at the above-mentioned address not later that 10:00 A.M., MONDAY 21/12/1409 H, corresponding to 24/7/1989.

TECHNOLOGY

Science with a commercial heart

David Fishlock examines changes in the way ICI conducts its R&D

"WE DON'T sell chemicals – what we sell are effects," says a board member of Imperial Chemical Industries, Britain's biggest corporate investor in research and development (R&D).

ICI scientists are trying to identify and perfect a variety of effects that can be packaged safely, conveniently and economically for sale to a global market. Nowadays this approach applies no less to electronics and information technology than to pharmaceutical, veterinary and agro-chemical products.

The man who has played a central role in changing the direction of ICI's scientific effort retires this month after 10 years as research and technology director. As the group's chief scientific adviser, he has masterminded a profound change in thinking – both at board level and among ICI's 9,000 research scientists world-wide – which has brought effects to the fore.

Reece has also rid the group of almost all central research, slotting corporate R&D programmes and people into whichever division seemed best fitted to exploit the discoveries. In the case of electronics, this meant creating a new division.

By abandoning the type of corporate research which traditionally has close ties with academic science, Reece has gained a reputation for philistinism in the university world. However, as the ICI management saw it, corporate research had become a distraction rather than an asset. The divisions preferred to buy in innovation.

In the 1980s, ICI has seen a startling change in the purpose of its science, says Peter Doyle, research director-designate. In the 1970s, the businesses lacked a sense of common interest and pursued their own objectives. They tended to have a not-invented-here attitude and rejected innovation from elsewhere in ICI.

Doyle credits Reece with giving a common sense of purpose to ICI science – with seeing it as one big pool from which all parts of the company could draw. Reece says it was simply a question of responding to the company's decision to change its business profile away from bulk chemicals and towards more added value and particularly the marketing of effects.

"It means that in an increasingly competitive world we have to be more selective and more often right in our judgments," he says. "It presents management, from board level to individual businesses, with the problem of risk-benefit analysis in a way we never faced before."

Before ICI will provide the "patient money" required to nurse an invention through a protracted and costly development phase, it now demands better evidence that the idea will eventually pay off. Reece cites Pruteen (an abandoned biotechnology venture into breeding protein with natural gas as a feedstock) as a costly investment of the 1970s for which "market research was zero when the steamroller started rolling."

He is also convinced that it is impossible for any organisation to be self-sufficient in science and technology. "In the UK, we have benefited from working alongside a powerful national science capability." He says Britain's strength in academic biology has contributed to the success of ICI's biologically based businesses.

When Reece became research director, he inherited a support staff of 70 and a general manager of R&D. This was a legacy of efforts in the 1970s to get some corporate interest in central R&D – a move fiercely opposed by divisional research directors.

Reece whittled down the headquarters staff to three scientists. Two are in London, one – Bernard Langley – remains at Runcorn, location of the former corporate research centre. The peripatetic Langley is Reece's eyes and ears in the academic world, highly respected among academics but equally at home in industrial science. Langley sees his task as trying to make the apparently unfashionable areas of science which interest ICI look exciting to academics.

Reece says that the key to his own job is an intimate knowledge of ICI's research portfolio. This means talking to the scientists, especially the young and innovative ones, and not just their managers – something that makes managers nervous. He often excludes managers from such meetings. He revels in the insights he can glean in this way. "It keeps me informed and it keeps me young."

As a result, he and Langley believe they are in a unique position to cross-fertilise the ideas and efforts of some 6,000 ICI scientists in Britain, where about 70 per cent of the group's R&D investment is made. They also have what he calls a "hunting licence" to capture ideas, wherever they lurk, that might be made to pay off somewhere in the group. But, says Reece, if they cannot see £10m sales on the horizon, "forget it."

From corporate R&D came the nucleus of ICI Electronics, a venture which is marrying such disparate sciences as colour chemistry, film and surface science, polymer chemistry, laser techniques and mathematical modelling. Another corporate science team, headed by Ed Dart, a leading UK plant scientist, has become the research group for ICI Seeds, a new venture in which ICI has invested hundreds of millions of pounds in acquiring companies. A molecular biology team has become part of the fast-expanding R&D centre of ICI Pharmaceuticals.

The only ICI corporate science teams today are in the areas of colloid science, toxicology and environmental science, which are seen as relevant to just about everything ICI does.

ICI R&D is now grouped into four main UK centres: Alderley Edge, Cheshire, pharmaceuticals; Jealott's Hill, Surrey, agro-chemicals and seeds; Wilton, Tees-side, advanced materials and biotechnology; Runcorn, Cheshire, chemicals and polymers. Each does R&D for other parts of the group.

Reece has great faith in "skill centres" where a critical mass of first-rate scientists can make their expertise available to the whole group, while remaining identified with a particular division. One research manager talks of his "community of science interests." This avoids the kind of problem that Reece inherited, when corporate R&D, frustrated by the not-invented-here factor, was trying to launch its own commercial ventures.

ICI is also rapidly building up R&D – especially development – in the US and Japan. Reece expects a continuing shift of development resources overseas, in association with fast-growing markets.

But he retains great confidence in both the quality and the relatively low cost of science in Britain. Cost per scientist can be less than half that in some other countries, he says. It helps account for ICI's smaller investment in R&D than, say, its big West German competitors. The studies on gene profiling for criminal identification, conducted by Alec Jeffreys at Leicester University, were spotted early by Langley and represent a recent example of academic science snapped up by ICI.

Also at Leicester University is a laboratory which Reece has backed for almost his entire time as research director. ICI pays for a team of 12, headed by Bill Brammer, specialising in human breast cancer and the control of gene expression in mammalian cell systems.

Brammer describes it as academic science relevant to company targets. "We get a great deal of two-way exchange of information, expertise and personnel." He has guarantees on funding until 1991.

The company treats this work as a core programme in molecular genetics. It has taken out patents and made a gentleman's agreement with the dons that any eventual profits will be shared.

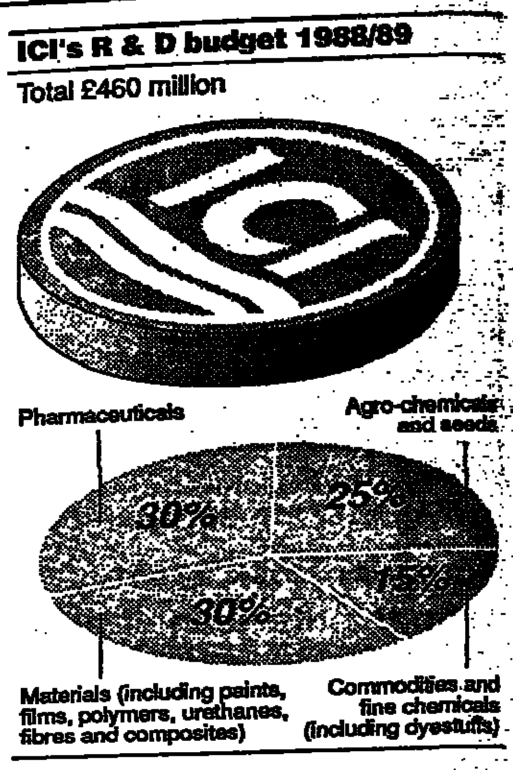
As scientific adviser to Denys Henderson, ICI's chairman, and the board, Reece is proud of the fact that it has never rejected a case he has made for investing in science, including his arguments for major new ventures in electronics and biotechnology (seeds).

To reach such a decision with confidence, he says, you have to get right to the heart of the science and satisfy yourself that the scientists really can achieve what they claim. You have to be prepared to challenge accepted wisdom. For example, scientists talk a lot about plants fixing nitrogen but their main task is to fix carbon dioxide. "To tease this out, you must ask stupid questions – I enjoy doing that."

As a result, Sir Charles Reece believes he is leaving an ICI board that has a better appreciation of what research is all about than the company has had for a long time.

Next week, David Fishlock will look at the application of ICI's research strategy to innovations in opto-electronics.

Sir Charles Reece



At home with the rough seas of debate

A spare-time sailor, Sir Charles Reece has no desk but works from a leather sofa in a turbulent sea of paper, barking "Bish" for his long-suffering secretary. He believes his management style is "more at home with the process of debate than with pontificating on subjects which are at best only highly subjective." Research management is such a subject, he says.

Sir Charles, an organic chemist, has spent his career with ICI, initially on dyestuffs research and medical product development. His name is on about 30 ICI patents.

By 1979, when he was made research and technology director, he had acquired considerable business experience, including that gained as deputy chairman of the Mond (chemicals) division and as chairman of the plant protection division.

In the last five years, he has earned a reputation in Whitehall as an influential voice on national R&D shortcomings, through membership of Acost, the Advisory Council on Science and Technology, and its forerunner, Acard.

He headed the Acard investigation of the exploitation of science, published in 1986. The report put forward a process for identifying areas of science which showed some certainty of contributing to national economic health.

Inevitably there would have to be selection – something the academic community had resisted. "In ICI, we got where we are today by a process of rejection," says Sir Charles in his typical no-nonsense way.

One vice chancellor, conferring an honorary degree, described him as a "ruthlessly pragmatic reformer, impatient of anomalies."

ICI endorsed the principles of the Acard study by joining Cest, the Centre for the Exploitation of Science and Technology, a new think tank set up by the 20 British companies most committed to R&D.

Last year Sir Charles completed another study, this time for Acost (the Advisory Council for Science and Technology), identifying how Britain might win greater economic benefits from its defence R&D, which accounts for nearly half of total public spending on R&D.

"Spending more money on R&D is not a formula that guarantees success," he says of ICI. "Spending it wisely is what counts."

Getting in touch with the computer

By Della Bradshaw

First came the keyboard, then the mouse. Now these have been joined by touch-screens, which help people communicate with computer systems.

Increased reliability and customer demand have helped touch-screens advance from technological novelty to useful business tool. They comprise screens with words and graphics which the user touches to indicate what he or she wants.

In Europe, the financial sector is pioneering the introduction of touch-screens. Share dealers use them, for example, as a telephone directory. When a name or number is touched on the dealer-board screen, the number is dialled.

The technology is also becoming popular for cash-point systems and other banking terminals, where customers with no experience of computers can give and obtain information.

Four touch-screen technologies are currently vying for market share:

- Infrared beams. Up to 16 beams pass from top to bottom of the screen and up to 16 from side to side. When the user touches the screen, the beams are broken, identifying where contact was made. Earlier versions were criticised because the small number of beams (only four in each direction) imposed design restraints on the screen graphics.
- "Capacitive" screens. The glass screen is coated with a conductive film, so that when the screen is touched the current crossing it is broken.
- Pressure membranes. A hard plate pitted with minute dimples is fitted over the screen and covered with a thin film. When the screen is touched, the film is depressed to make contact with the plate. Digital Equipment, the US computer maker, has developed a hybrid system marrying pressure membrane and capacitive technologies.
- Piezo-electric techniques. A load-sensing cell at each corner of the screen measures the load on the screen. The computer can calculate which point has been touched by comparing the load at each of the four corners. For example, if the load is equal, the pressure is in the centre of the screen. IBM's 4737 self-service banking transaction terminal uses a piezo-electric screen.

The latest development, not yet included in a commercial product, is surface acoustic waves. Vibrations bouncing across the screen are interrupted when it is touched. By measuring the distance the waves had travelled on both axes, the computer can calculate where contact was made.

One of the largest applications of touch-screen technology in the UK is in 262 National Westminster bank branches, where it was installed for share dealings in privatised utilities. As soon as a client gets a share allocation letter, he or she can go to the nearest participating branch to use the terminal to find out both the latest share price and the cost of selling the shares. If he decides to sell, he can carry out the transaction and have a cheque in payment printed out on the spot. The idea has proved so popular that the bank has extended the service to other shares.

Touch-screen technology has other advantages. "One is that it is private," says Richard Hicks, managing director of Applied Interactive Technology (AIT), of Henley, which specialises in designing software for touch-screen applications.

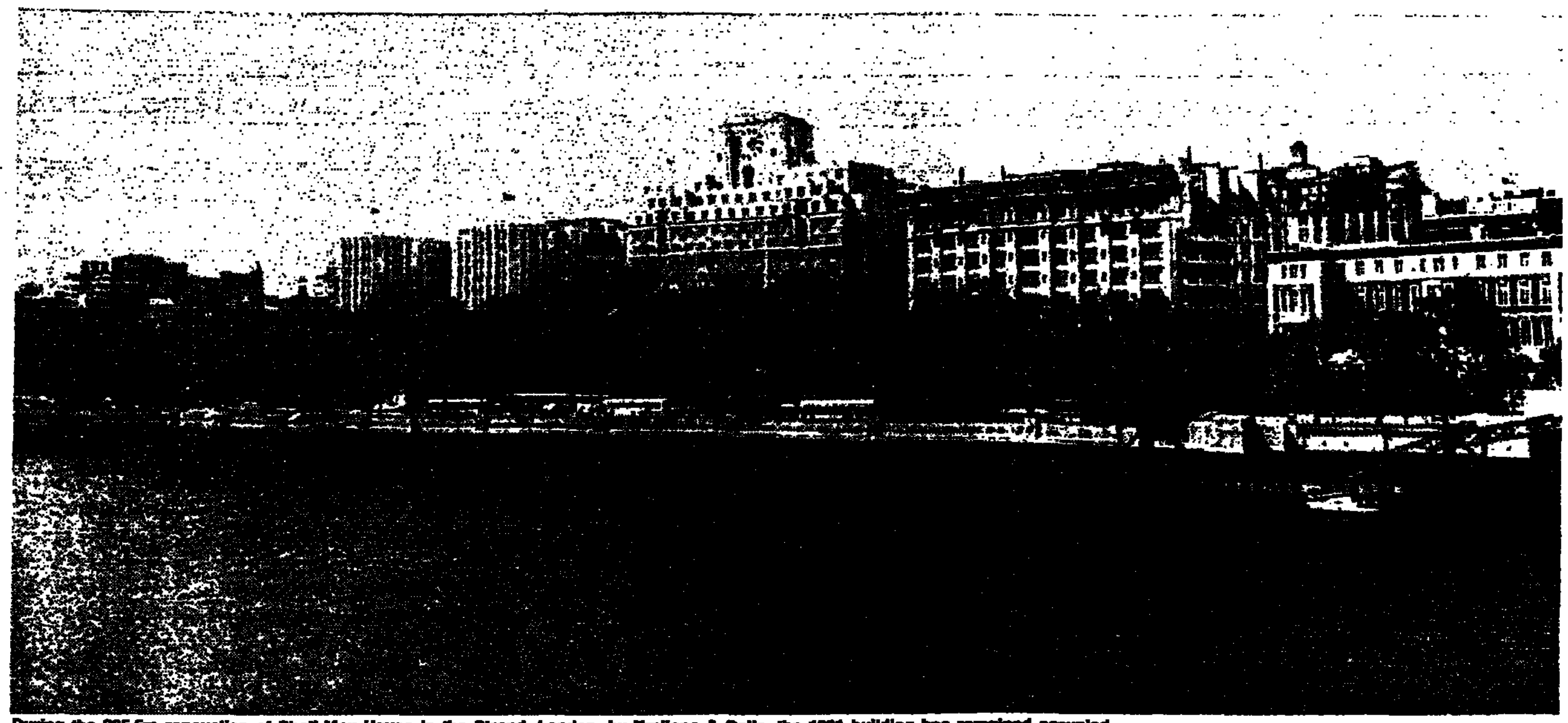
"We hear a lot about people wanting to deal with people not machines, but there is also a group of people who prefer to deal with machines rather than people, and touch-screen technology is perfect for that." One example he cites is motor insurance quotations, where people prefer to tell a machine rather than an salesperson about their past driving misdemeanours.

Another potential growth market for the touch-screen is in the retail sector, particularly for catalogue shopping, and for guiding visitors around exhibitions. In Japan and the US, avid users in shopping malls consult touch-screen terminals to discover the whereabouts of particular shops.

FINANCIAL TIMES SURVEY

Though Britain's refurbishment drive may falter if financial conditions lead to a slowdown of activity, the renovation of housing and industrial stock is set to continue, while the life-span of buildings shortens, says **Paul Cheeseright,** Property Correspondent

New life in old buildings



During the £85.5m renovation of Shell-Max House in the Strand, London, by Trollope & Colls, the 1931 building has remained occupied

REFURBISHMENT

BRITAIN HAS been pouring billions into the renovation of its property stock. The times have been propitious. The strength of the commercial property market and the boom of the residential market have involved not only new building but the regeneration of the old.

Statistically, this is an underdeveloped area. But some idea of the national fervour for refurbishment is visible in the fact that, as the Department of Environment reported, 35 per cent of the 115,000 planning decisions made by local authorities in the 1988 first quarter were for householder developments.

In the residential area the refurbishment movement has essentially been a drive for a higher standard of accommodation, reflecting higher standards of living and a growing amount of disposable income to finance it. Plentiful funds – lending institutions begging old and new clients to borrow – have fuelled the whole process.

It is unlikely to continue at current rates. The latest market assessments all point to a slowing down of activity in at least the South-East residential market as the higher cost of money has the cooling effect that Mr Nigel Lawson, the Chancellor of the Exchequer, intended.

In the commercial property market, however, other more complex factors have been at play. There has, to be sure, been the easily available finance as foreign banks have vied with the British clearing banks for a place in the market and as institutional activity has increased.

But the growth of economic activity has set off a demand for premises which could not be filled solely by new building and the absorption by the market of the existing stock. Refurbishment has been necessary to meet new needs.

These new needs flow naturally out of the changing patterns of economic activity, most clearly marked by the shift towards the provision of services and the prevalence of information technology. This shift suggests that where factories were once required for employment, now the greater need is for offices.

Industry itself has been changing, making the use of the old smokestack factories redundant and creating a demand for clean premises. Yesterday's satanic mills are today's clutch of studios and workshops. So the renovation of old stock has not been simply a matter of cleaning up the buildings; it has been a matter of providing a home for wholly different types of economic activity than that for which they were first intended.

Here then is a complex of factors behind the refurbishment industry. The underlying factors will remain the same but, like the residential market, the change in financial conditions since last summer could slow down activity for at least a few months. Activity though will not stop because the refurbishment of the property stock is a continuing process.

Indeed, the inventory of property needing refurbishment is widening. Refurbishment is not simply a question of keeping in use historic buildings whose original purpose has been superseded. It is also a question of coping with the fact that the life-span of buildings has shortened.

A significant part of the refurbishment that has been occurring relates to the overhaul of buildings thrown up in the post-World War II building boom. This applies to all types of property from council flats in tower blocks and schools, through industrial estates to 1960s' office buildings. Many of these buildings have outlived their usefulness – the *concrete may have started to* crumble; the cladding may have loosened; the original specifications may have been too low to accommodate the more stringent demands of a society which needs more electronic gear; they may be just plain dreary.

Facing a situation where a building has lasted for 20 or 30 years but is unlikely to achieve the permanence that is associated, rightly or wrongly, with Victorian buildings, the landlord is faced with difficult choices. In many cases the preference will be to pull it down and start all over again - hence the departure from the scene of rundown industrial estates or some major office buildings in the City of London.

The choice for the future will be dictated by financial considerations and the prevailing planning regime. In locations which are less than prime it is probably easier for a landlord to modernise rather than take the speculative risk of new building. And while local authorities are generally encouraging when it comes to modernisation, they can be less *than enthusiastic* if that modernisation involves a change of use that at first sight implies a loss of traditional jobs.

But this planning factor is diminishing in importance for business premises. The change in the Use Classes Order which has eroded the difference between office premises on the one hand and research and development and light industrial premises on the other gives landlords a new flexibility in their approach to the market.

This is one of a number of measures taken by the government in recent years which has the effect of hastening the process of refurbishing the nation's properties. Many of the others relate to the battery of grants and tax concessions which have been used under the general policy of inner city regeneration.

The effects of this policy can be seen in the way official funds have been used to make financially feasible projects in districts formerly disregarded by property developers. Grants have played a significant role, for example, in the revival of Little Germany in Bradford, where their use on a building-by-building basis has had a composite effect. The revival of the Albert Dock area in Liverpool, where grand but decaying warehouses have been rehabilitated to provide leisure and speciality shopping facilities and residential accommodation, is a similar case.

Although the role of the government in helping refurbishment should not be underestimated, the greater part of the work has flown out of the pattern of economic growth. In this respect the property industry has been responding to demand – and the response can be seen across the main property sectors.

The consumer boom brought with it a general updating of shopping premises, helped by the fact that the traditional high street has been forced, in order to maintain its competitive position, to improve the facilities on offer to shoppers. The rain-drenched and windswept centres of the 1960s have been upgraded, with a greater stress on the provision of leisure facilities, often taking advantage of the presence of water.

Thus, there is hardly a town centre in Britain which has not had a refurbishment of its existing shopping facilities and an expansion as well. The risks for the developers appeared minimal as the retailers vied with each other for premises and rents moved sharply upwards. The rise in interest rates may curtail this process but the effect will have been to make town centres more agreeable places to shop.

What has been happening in the industrial sector has been rather different. Here it has been a matter of taking old facilities, like the Dean Clough Mill in Halifax, where 120 years of carpet-making has been replaced by small workshops catering to the needs of small business. Specialist companies have emerged, prepared to take over what had appeared to be property white elephants and change their use. This would not have happened without the emergence of a demand for small amounts of space available on flexible terms.

In the office sector, there has been a distinct process, although refurbishment has also been in response to rising demand. The main work here has been in the updating of premises, so that they can meet the contemporary needs of better air-conditioning, better lighting and a space for all the cabling which goes hand-in-hand with the spread of information technology.

The City of London has provided a clear example of this, as developers have wrestled with the tight floor plates and the low floor-to-ceiling heights of 1960s buildings, or have stripped out the interiors of historic buildings to provide modern facilities behind historic facades.

In all these cases, however, landlords have been seeking to add value to their properties. The movement of the market over the last three years suggests that they will have been amply rewarded. A slowdown in the market may be in the offing, but the likely returns look good for at least another year.

Over-cladding has advantages over demolition

Modernist monsters given a human face

ONE OF the more bizarre recent events in Britain's architectural and conservation history was a campaign which raged for a few weeks this summer. Its aim was to obtain the listing of Alexander Fleming House, the extraordinarily ugly and forbidding headquarters of the Department of Health and Social Security at London's Elephant and Castle.

Designed by the Hungarian emigré architect, Erno Goldfinger, it was part of one of those inner-city orgies of the 1950s and 1960s which tore the heart out of Southwark and so many of Britain's other towns and cities.

An unreconstructed Hampstead Stalinist, Goldfinger knew what was good for us and provided it in the shape of concrete tower blocks galore. Steeped in the false Messianism of Modernism, he liked to say that "to conceal a column is a crime."

His latter-day champions insisted it was a "work of art" but over 1,000 DHSS employees say the building itself is a crime.

The existing rule-book listing criteria include such abstract considerations as "historically interesting," "innovative" or "especially good examples of the work of prominent architects," but say little about user-friendliness or social impact.

Fortunately, on this occasion common sense prevailed: the listing request was rejected by Mrs Virginia Bottomley, the Environment Minister. A mini-campaign to obtain the listing of a nearby Goldfinger cinema was pre-empted by swift and conclusive bulldozer action by the owners, Imry International. The monster at the Elephant and Castle is to be re-clad in a manner which will conceal more than just its columns, to the relief of its owners and occupiers alike.

The architects who were caught up in this found all the fuss very difficult to understand. Manchester-based Fairhursts is a profoundly practical practice – for it Alexander Fleming House was merely another in a long line of obsolete Modern Movement and other buildings in need of an overcoat to save it from perishing.

As far as the firm is concerned, Modernist masterpieces are no more than "buildings generally considered to be ugly, with their exposed concrete frames, steel windows, and spandrel panels which have weathered badly, where concrete deterioration has set in and surface-applied finishes have started to fail."

Such buildings invariably have very poor thermal and sound insulation and, in many cases, they also leak, through flat roof or failed expansion joints. However, Fairhursts has discovered, "the structures can provide a very solid base to clip on" a new facade. This creates a new identity, a new lease of life – and most importantly, a new commercial lease as well.

Mr Kenneth Parker, the senior partner, explains that

The construction period is usually shorter and often far cheaper. Best of all, work can be carried out while the building remains fully occupied

over-cladding has distinct advantages over demolition and newbuild, which these days often entails loss of plot ratio, height and car-parking spaces, especially in inner city areas where planning controls have stiffened over the past decade.

In addition, planning consent is far easier to obtain – the end-result can hardly help being an improvement – and the construction period is usually far shorter and often far cheaper. Best of all, says Mr Parker, work can be carried out while the building remains fully occupied. For a property owner, this could mean two, three or more years with no loss of rent income.

In Mr Parker's experience, the structural frames of these buildings are normally found to be constructed to accurate dimensions. Providing the concrete is sound, as well as capable of adaption and containing no high alumina cement (HAC), "then major external redesign is possible," he concludes.

If there are no perimeter upstand beams to the building perimeter, then the the floors can be extended on a very simple cantilevering principle to give increases in the net lettable floor area of between 25 and 30 per cent, although this may also entail redesigning and constructing badly designed vertical circulation cores.

Storey heights can be a problem and, if too low, provision of mechanical services to the central zones can be difficult and the installation of suspended ceilings and raised floors could leave unacceptable floor-to-ceiling heights. However, even in such cases Fairhursts has invariably been able to find an acceptable compromise and the main air conditioning service ductwork and pipework can be installed within the perimeter cantilevered floor depth.

Fairhursts was chosen for Alexander Fleming by developers Imry who were familiar with its previous major re-cladding of what is now the Wang European HQ building near the M4 at Hounslow, which Fairhursts won in competition. Its solution was radical: the building was stripped to its structural frame and a new external envelope constructed in aluminium and glass and wrapped around it on a cantilevered steel frame, bolted to the existing floor slabs. The floor perimeters were increased by between 300 and 750 mm.

The local authority, which had regarded the existing building as an eyesore, granted enthusiastic planning approval within three weeks of the application being made. Work began a month later and was completed in 16 months, including four spent on fitting out for the tenant.

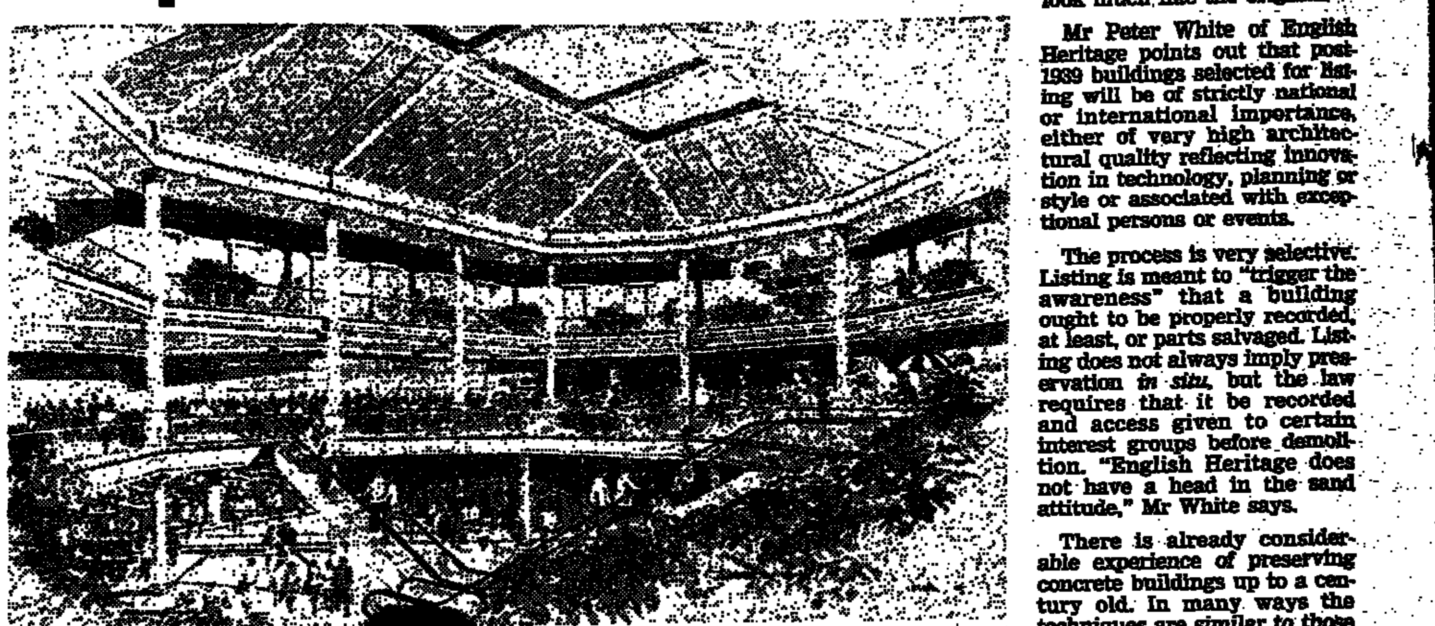
Fairhursts' current re-cladding contracts include St Mary's, a large maternity hospital in Manchester, where a new glass and aluminium envelope is being added to form a thermal weatherproof skin and protect the concrete structure which is carbonising. The advantage of uninterrupted occupation during the contract is especially important here.

Trading at Marks and Spencer's Edgware Road store will likewise not be disrupted while the building is re-clad. In this case, apart from other benefits, the owners are aware that Westminster Council would never allow the number of car-parking spaces on a new development that they are retaining with the refurbishment.

Mira Bar-Hillel

Conservation and listed building rules

Risk of preserving poor structures



The atrium for the extended Grafton Centre, Grosvenor Developments' scheme in Cambridge

IRONICALLY, the legal machinery that encourages the preservation of the old buildings so admired by Prince Charles is now being used to protect the modern architecture he loathes so much.

In April 1987 the Department of the Environment (DoE) announced a new "rolling 30-year rule" for listing post-war buildings as being of special architectural or historic interest. Already, several pre-1939 structures had been given this accolade.

It is less well-known that buildings only 10 years old of "outstanding" merit can be spot-listed when threatened by demolition or unsympathetic alteration.

Under separate legislation, some Second World War defensive structures – including a Dad's Army bolt-hole under Pevensey Marshes – have been "scheduled" as ancient monuments. In theory, at least, the partly flooded concrete-lined Pevensey bunker, with rotting softwood bed frames and shelves, has the same status as Stonehenge.

The first building to be listed under the 30-year rule was Bracken House, from which the Financial Times is due to move next Easter. Constructed by Sir Albert Richardson between 1956 and 1959, the offices were listed soon after their acquisition by the Japanese developers, Ohbayashi Properties.

In March 1988 Lord Caithness, the Environment Minister, announced that 18 modern buildings – selected from 70 recommended by English Heritage as representing "some of the best examples of post-war architecture" – were to be listed. Coventry Cathedral and the Royal Festival Hall were given grade I status (of national importance), Stockwell Bus Garage and the TUC memorial building grade II (meriting special consideration for exterior and interior features); and 1 Dean Trench Street, Westminster, housing the Sons of the Clergy Corporation, a few hundred yards away from the DoE's own lamentable headquarters building in Marsham Street, was among 13 buildings afforded grade II. Every year other buildings will be added to this list.

Since then, Sir Bernard Lovell's radio telescope at Jodrell Bank has been listed grade I and the Economist buildings in Westminster's St James's, designed by husband and wife architects Peter and Alison Smithson in 1964, is now grade III because it was "threatened" by alterations. The Smithsons, who were pioneers of the so-called "New Brutalism," won the competition for the austere Hunstanton School, of steel and brick with pipes and wires exposed to view, built in Norfolk between 1949 and 1954.

Work at the Economist buildings started in July under the direction of architects Skidmore Owings and Merrill responsible for One Shell Plaza in Houston (1971), which pioneered the use of reinforced concrete in large office towers, and the Sears Tower in Chicago, the world's tallest building, recently placed on the market for $1.8bn. According to Bovis, the contractor working at the Economist buildings, the

Inexpensive materials and experimental techniques used in post-war buildings "might give rise to maintenance problems"

intention is to "expand the lettable space" and instal new services and raised floors.

Now that buildings no longer have to be old (nor receive public affection) before they have the protection of listed building consent procedures, the spectre is raised of having to keep up structures which suffer from inherent problems and whose materials have since proved to be unreliable or even dangerous.

The English Heritage "Conservation Bulletin" of February 1988 acknowledged that inexpensive materials and experimental techniques used in post-war buildings might give rise to maintenance problems, but stated that "there will be some buildings which are so important in the context of their period that they must nevertheless be preserved despite the expense of doing so."

Mr Bill Black, a consultant to chartered surveyors Drivers Jonas, was formerly district surveyor for the City of Westminster and remembers some of the late 1950s buildings going up. Since then, he has been responsible for the repair of many commercial buildings of the same vintage.

He explains that 30 years ago there was a boom in speculative commercial building. The techniques developed for building at speed – using thin skin claddings "like stone wallpaper," for example – had not been tried before. The buildings went up too quickly: the quality of the concrete used – on the face of it a simple mixture of water, cement and gravel – was poor. In order to cut drying times chloride accelerators were used which later corroded the steel reinforcement (essential for tensile strength) embedded in the concrete beams, columns, cladding panels and precast floor units.

Often concrete was compacted insufficiently, leaving a honeycomb of fissures which caused similar breakdown.

Building designers failed to appreciate the need to allow for reciprocal movements between the buildings' frames and the outside cladding. Fixings were often inadequate in strength and flexibility and joints between cladding panels

Modern pigments give picture restorers the same kind of horrors that plastics, mastics and cement additives give building conservators

too narrow and infrequent and filled with the wrong materials.

These problems were revealed only when lumps started to fall off the new buildings: in 1968 a young woman was killed by a piece of falling cladding in Holborn. Four years later a piece of Dartmoor granite fell from New Scotland Yard.

If the buildings affected have sufficiently high values, one of the best solutions is to tear off the old cladding and replace it with lightweight materials like stainless steel or glass.

But if precedents are followed, modern listed buildings will have to be restored authentically as conservationists frown on modern substitute materials, even when they look much like the original.

Mr Peter White of English Heritage points out that post-1939 buildings selected for listing will be of strictly national or international importance, either of very high architectural quality reflecting innovation in technology, planning or style or associated with exceptional persons or events.

The process is very selective. Listing is meant to "trigger the awareness" that a building ought to be properly recorded, at least, or parts salvaged. Listing does not always imply preservation *in situ*, but the law requires that it be recorded and access given to certain interest groups before demolition. "English Heritage does not have a head in the sand attitude," Mr White says.

There is already considerable experience of preserving concrete buildings up to a century old. In many ways the techniques are similar to those required to repair timber frame structures like barns.

The Society for the Protection of Ancient Buildings (SPAB), founded by William Morris in 1877, is the world's oldest building preservation pressure group. Morris hated the architects of his day (calling them "thoughtless hacks") and called for a return to the craftsmanship demonstrated by Britain's medieval predecessors. Mr Philip Venning, the Secretary of SPAB, says that while the society has not addressed the listing of modern buildings specifically, it nevertheless welcomes the idea of extending the statutory list to include good architecture of every period.

Like paintings by Old Masters, ancient buildings are made of materials which have been established by trial and error over the centuries, are well-understood and easy to work. Modern pigments give the same kind of horrors for picture restorers as plastics, mastics and cement additives give to building conservators.

Conservation has always been a difficult business. Yet one day one of Britain's early nuclear power stations may be listed. But preserving it would hardly give greater problems than looking after a great medieval cathedral.

Richard Catt

HISTORIC BUILDINGS

The inside story of conversions

AS MANY traditional industries in Britain declined, old factories and warehouses were left high and dry: too tall to cope with modern linear, manufacturing processes, out of date and stranded in newly impoverished locations.

Rugged but not conventionally handsome, many industrial buildings have been listed as being of architectural or historic interest because they illustrate pioneering building techniques inspired by the revolutionary skeleton structure of John Lombe's Silk Mill in Derby, or mark the spot of defunct industries which were the raison d'être of many of our towns – the shoe and knitwear trade in Leicester for example, and Sheffield's knives and scissors.

Although many of the dockside buildings were thrown up in a hurry (in London's Docklands in particular) as a result of the Customs Consolidation Act of 1853 (which allowed the use of warehouses as bonded stores) and the quaysides, often made of canal dredgings, collapsed under the weight, most are strong and show remarkable stamina against the ravages of rot and neglect. Many take on the character of the exotic goods stored – spices, furs, tobacco and silk – and have strong international associations.

But what to do with them all? One-off nightclubs or film sets hardly qualify as bona fide revenue sources. Some, like Docklands' New Concordia Wharf, have been developed into flats very profitably in spite of expensive fire precautions.

Built to store tobacco, wine and brandy, it was successfully made into small shops

Similar projects nearby are outselling new developments by up to 15 per cent, according to local agents: some of the modern warehouse-style blocks are beyond shouting distance of an ideal location and lack the subtle, but not merely imagined, character of the older structures and the sheer space provided.

The Skin Floor in Docklands, built between 1811 and 1814 by D.A. Alexander and John Rennie, and a five-bay structure of brick vaults, granite and cast-iron columns under continuous rooflights, originally built to store tobacco, wine and brandy, was successfully made into small specialist shops after being abandoned for 17 years.

In Leicester "informal" tenants have set up workshops in some old warehouses simply by running in water and electricity and splashing whitewash on the walls.

True office conversions rarely work (except in the best locations) because the net lettable area is usually burdened by relatively large amounts of dead space of corridors and landings. Studios can be feasible, but need to be anchored by a well-known activity or contrived by the formation of "heritage" or "art" centres like the Ouseburn warehouse workshops at Newcastle-upon-Tyne. The £3.5m Wigan Pier Heritage Centre featuring "the way we were" tableau is housed in old warehouses.

But these are not the stuff of conventional property development – both schemes relied upon grants from several agencies, ranging from the English Tourist Board and the European Community Social Fund to the National Coal Board at Wigan and most of the Ouseburn refurbishment was carried out by the workshop tenants.

Valuation of the derelict buildings is a nightmare: there are few comparable rents upon which to base revenue forecasts; and when parts of the buildings are let cheaply, albeit informally, the artificially high value imposed may push the acquisition costs beyond viability and rule out the full-scale renovation and repair needed for long-term use.

"Red-lining" of some areas by building societies, and the uncertainty of restricted grant aid do not inspire developers' confidence.

On the other hand, as architect Rod Hackney told a group of RICS building surveyors in April 1987, it is often possible to buy a large old building for less than the salvage value of the materials: giving rock-bottom collateral for adventurous entrepreneurs.

Richard Catt

US CASE STUDY

A downtown revival

IN THE US, people are not too sentimental about old warehouses – the view is that if they are no longer needed, tear them down. Against this, "historic" designation releases tax benefits (compared with the UK incentive of hard-to-get grants from limited funds) which can turn rehabilitation into profit.

Recently, a new use has also been found for inner city industrial districts: the festival market, conceived in the early 1970s by James Rouse, a housing official turned developer, and famous for building the new community of Columbia, Maryland.

Based on small shops, restaurants and market stalls, the festival market brings life and a place to gossip to dreary downtown districts.

In Mr Rouse's words it "attracts rich and poor, black and white, adults and children to (a) democratic place." His first project – Faneuil Hall marketplace in downtown Boston (often compared with London's Covent Garden) – was an instant success, attracting 10m people in its first year – more than Disneyland. Others followed, but with limited success. In some smaller cities the markets are struggling in spite of more than $100m of federal aid. A constant influx of visitors is needed, plus, for the locals, quality shopping to lure them from the suburban malls.

The latest successful scheme is in the west end of Dallas, where a 55-acre warehouse district close to downtown has been transformed by a group of businessmen, most of whom were born in Europe.

The best-known feature of the district is the Texas Schoolbook Depository from which (according to the official version) President Kennedy was shot. Twenty-five years on, the Depository is being restored to re-open next month after being threatened with demolition (with bricks being sold as "memorials") and use as council offices.

Centred around largely redundant railroad tracks, the west end was derelict and dangerous when granted status as an "historic district" in 1975. The only draw was the Old Spaghetti Warehouse restaurant opened in 1972, a brave venture at the time.

It was not until 1982 that Patrick Deprez, a French cotton dealer, took over an old brewery for offices, shops, restaurants and, later a nightclub, that the real revival began. Although speculating wildly, he could not have foreseen the proximity of the downtown office towers and the fact that he could buy the brewery for less than building a new shell.

Mr Deprez then bought the three adjoining Home Furniture buildings, hoping to make apartments, but conversion difficulties – the windows were in the wrong places and could not be moved – encouraged him to sell them.

The new owner's architects joined the three buildings with an atrium and erected Dallas Alley – a complex of six nightclubs joined by a neon-draped canopy alongside shops, bars and offices with balcony access. Mr Deprez followed suit and made three adjacent warehouses into MarketRoss Place.

The Landmark Center followed, then the old city jail turned into offices by a group of local lawyers.

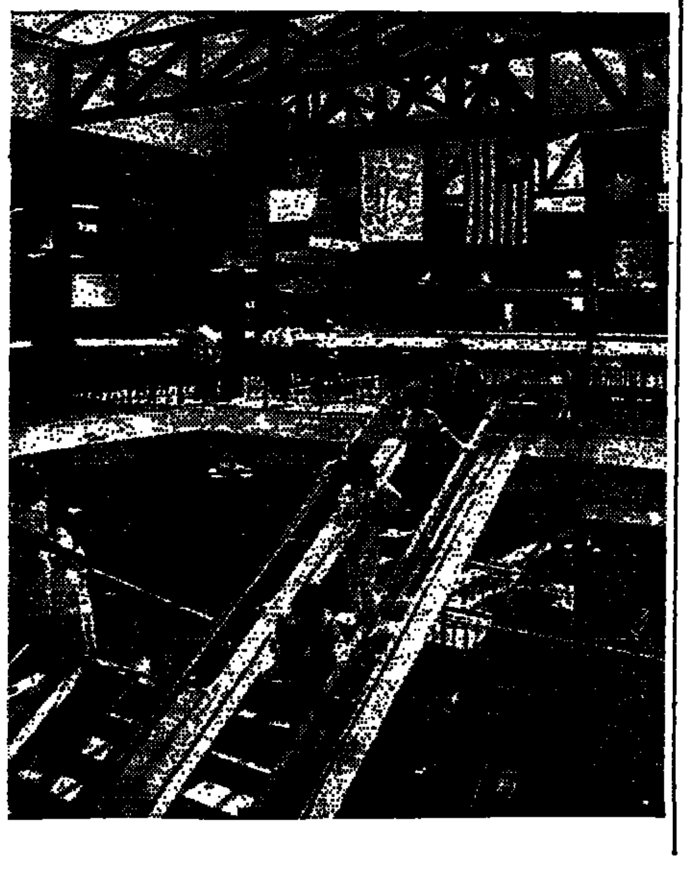
Most of the offices are letting well: architects, accountants and PR types find the bare brick walls and pine floors attractive and cheap – $10-$12 per sq ft. Above all, the suites have their own front doors.

Downtown office workers, families, football fans, tourists and college students enjoy the many rooftop bars (most with live bands) the fast food and trinket shops, most featuring Texas specialities, valet parking, private security guards (leading to a dramatically diminishing crime rate), wagon rides and street improvements.

Every now and again street concerts – the group Midnight Oil recently drew 20,000 people – inject opportunities for informal street vending.

An August meeting of the local business community discussed a proposed "heritage walk" – little more than red lines on the sidewalks and a free leaflet – cleverly arranged to direct visitors to members' premises. An old railway spur 420 ft long and 17 ft wide may soon be made into "the world's longest bar."

Richard Catt



PUBLIC SECTOR PROPERTY

A face-lift for police blocks

THE TRANSFORMATION of run-down council blocks into successful private developments is no longer a new idea, although it is useful to remember that, as a trend, it is less than 10 years old. One of the first in the UK, and certainly the more successful of the companies which took up the public sector challenge in this way was Regalian, with an impressive string of conversions all over the country.

Having taken on local authority housing in London's suburbs and found ready-markets for the refurbished and improved homes, it is not surprising that Regalian then began to take an interest in another type of public sector property with added-value: the Metropolitan Police married quarters – large and basically sound buildings, many of architectural interest which would make the average council block blush – and located in the very heart of London.

So far, Regalian has converted three such blocks: Macready House, Gladstone Court and most recently, the jewel – Crown Lodge.

Mr Roland King, Regalian's development director, explains the attraction: "Most property sold vacant by local authorities tends to be under-maintained and often vandalised, if not completely derelict. The police blocks, on the other hand, were all occupied until quite recently and well-maintained. Moreover, they are all in desirable residential areas, unlike local authority blocks which are often in areas of deprivation requiring general urban regeneration.

"This more than makes up for the fact that the police blocks tend to be old, with lay-outs and standards dating back to the 1920s, and fairly bland and anonymous. It is our challenge to transform them into up-to-date, desirable homes."

Macready House, in Crawford Street in the West End was designed for the Met in 1926 with 72 flats on six storeys. Entrances were from an internal courtyard, accessible from archway entrances.

The flats were vacated by the Met and offered for sale in 1986. By then, the ground floor accommodation had been bricked up for security and the courtyard, formerly laid out for children's play and amenity, had been levelled for use as police parking.

Gladstone Court dates from the same period. Wray House (now Crown Lodge) was built in 1937 to accommodate 114 policemen and their families. The original site cost was £40,000 and the original building contract was £88,814.

With all the blocks, the basic problem was the kitchen and bathroom spaces, utterly unacceptable to 1988 buyers,

"It is our challenge to convert blocks with lay-outs and standards of the 1920s into up-to-date, desirable homes"

combined with a heavy traditional building style which made it awkward to move or remove walls. Subsequently, the party walls have been largely retained, with the spaces between reworked to provide better accommodation. This consists of modern kitchens and two bathrooms, including one en-suite.

Obviously, such major changes require totally new services and creates all the problems of a major refurbishment in the confined areas of the blocks which nestle among other buildings. In Crown Lodge, in particular, the provision of a two-level underground car park, with a private leisure and sports centre, including a swimming pool, was a major challenge.

None of the original blocks met modern building requirements and regulations, and all needed additional stairs and lifts. The solution adopted was to make at least some of these necessities into advantages: at Crown House, the new glass-enclosed stairs are a decorative feature of the development. Other new attractions include gardens created on the car park roof.

Mira Bar-Hillel

Britain's inner city industrial sites are shaking off years of neglect

Logic of a white elephant hunter

DEMAND FOR inner city industrial sites in Britain has returned with a vengeance and many relics, long given up for dead, are beginning to pay their way. A battery of new grants, changes in the planning rules and a desperate shortage of space for burgeoning small companies have revived interest in restoring these factories and warehouses.

After decades of neglect, however, the threat of over-supply is looming in some areas, as the wrong types of sites and buildings are priced upwards.

Local and central government are playing a major role in reviving inner city sites but they rely heavily on private money drawn by the scent of new profits. Many developers are not driven merely by money, however. The fashion for conservation is not an exclusive reserve for planners and royalty.

"I could probably make more money putting up nice new buildings rather than fighting to preserve old ones," says Mr Colin Serlin. "But it would be so boring."

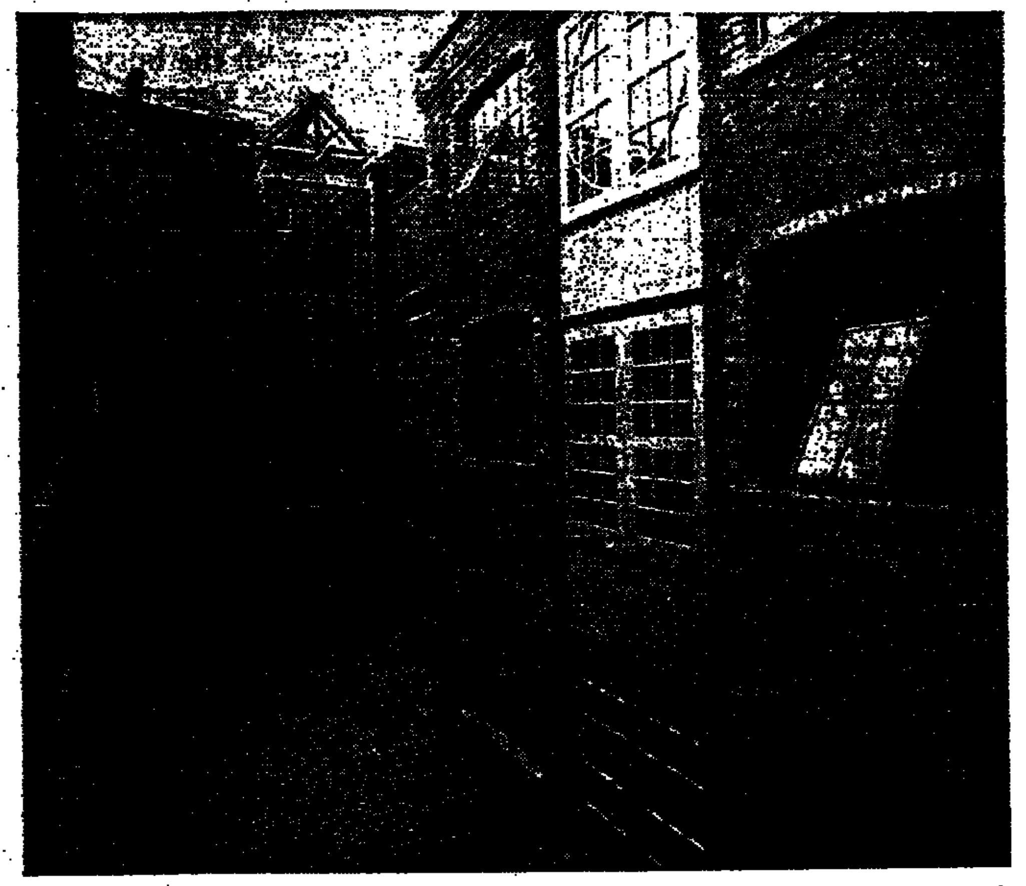
Mr Serlin hunts "white elephants" — an apt pastime for a developer who took a hike around India when the 1970s crash pulled the rug from his property business. He retains that sort of 1960s unconventionality with London Buildings, the company he founded in 1979 to tap the urban regeneration boom, and has come to specialise in sites around the fringes of central London which frighten others off.

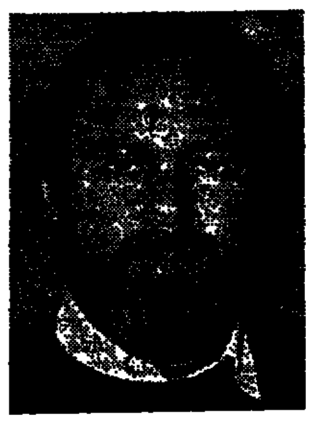
Perseverance Works in Shoreditch was one of Mr Serlin's white elephants, and his experience turning it into a new business community illustrates why other developers tend to ignore such pale pachyderms. It was an unremarkable group of 21 abandoned industrial buildings in a depressed and depressing part of the East End. Planners would have been happy to see it bulldozed, but Mr Serlin likes this sort of industrial architecture.

Perseverance Works lived up to its name, as it required a year of hard talking to overcome demands that it was redeveloped only for light industrial uses. He compromised by providing industrial space on the ground floor and studios upstairs. Conversion was not technically difficult; he took out buildings from the centre to create courtyards and cleaned up the remaining ones to provide 100,000 sq ft of bare shells. They sold quickly to fashion photographers, printers and other small service companies, drawn from their haunts in the West End by freehold prices of about £30 to £40 a sq ft.

"They are worth five to six times that now, but I wanted to sell quickly because of the uncertainty of the value of the buildings in an unknown market," he says.

Other schemes face similar problems: technical problems can be easier to overcome than the politics of planning. Many local authorities are enthusiastic about rejuvenation of inner city buildings, often doing the job themselves when developers shy away. But they can become obsessed with the notion that industrial space must be kept for industrial workers.


Printing House Yard, part of Perseverance Works developed by London Buildings in Shoreditch


Colin Serlin

That is what keeps white elephants alive, says Mr Serlin. Even a conservation enthusiast cannot make manufacturers pay rents necessary to meet the costs of refurbishing.

New planning rules brought in since he started Perseverance Works in 1986 should have breached this barrier. Permission is no longer required for a new planning class called B1 space — a broad use covering industry and offices. So the second phase will be solely devoted to small office units selling at prices from £175 a sq ft.

But planners have not let a little thing like a change in the law to hinder other schemes. Mr Serlin's latest grand plan is to transform 100,000 sq ft of derelict warehousing around Battlebridge Basin at King's Cross. He fought for nine months against demands for light industrial use — even though there is no way he can be forced along this road any more.

"It's all a bit crazy," he says. But perhaps no more crazy than some councillors believe his plans are for a two-storey glazed office "bridge" across the mouth of the basin, which he may yet have to take to a public inquiry.

The office bridge appears, at first sight, to be a typical piece of flamboyance from a businessman playing successfully with his hobby. He made a similar gesture on 21 houses he created from former industrial mews at Marlborough Yard, off the Holloway Road, putting gardens on the flat roofs and resurfacing the road with Dickensian cobbles.

Mr Serlin cultivates the image, implying that he decided not to float London Buildings on the stock market this year because he did not have a suit to wear at interminable meetings with financiers.

But there is a hard edge of business logic behind such gestures. Gardens and Victorian atmosphere are a good selling point in a tough central London housing market. Meanwhile, commercial sites such as Battlebridge Basin may be coming up in the world, but they can still benefit from something extra to pick them out of the crowd.

Mr Serlin fears this crowd is becoming big and restless, however — "tenants will be drawn to architectural character, much in the way I am attracted," he says. But a lot of relatively modern "tat" bought for high prices since the planning rules were changed, will fall by the wayside or perform badly. The shadow of over-supply hangs heavily on a market which only a few years ago was practically ignored.

He regularly rejects offers of 50,000 sq ft buildings in what have become accepted locations, preferring to find white elephants of more distinction in the more remote hunting grounds which he believes will be next to take off.

David Lawson

Shake-up planned for home improvement grants


The atrium and glass wall climbing lift at Pruson's Island, a Docklands development by Wates Built Homes

Patch and mend crisis management

KEEPING PACE with the need for repair and maintenance of housing is rather like painting the Forth Bridge: as fast as effort goes into upgrading, the earlier work ages and crumbles. Thus, every time the authorities boast that they have put more resources into regeneration and refurbishment, someone comes along with figures to show that the situation is just as bad, if not worse than before.

Housing repairs and maintenance spending in Britain have been rising in real terms for five years, reaching £5.2bn last year at constant 1980 prices. This trend should continue at a slightly lower rate to almost £6bn by 1990, says the National Council of Building Material Producers (BMP).

Overall, inner city spending is also expanding. Mr Nicholas Ridley, the Environment Secretary, announced after the Autumn Statement that £1.7bn was available over the next three years. Some £200m will go towards Housing Action Trusts to renovate former council estates and a similar figure will be used for uprating the property in the hands of local authorities.

The number of homes improved by local authorities has grown steadily, increasing by almost 150 per cent to 143,000 in the five years to 1987, says the Royal Institution of Chartered Surveyors (RICS).

But while the speed of "painting the bridge" improves, rust and decline seem to be dangerously evident nearby. A large proportion of the £2bn spent by local authorities on maintenance is being taken up by patch-and-mend crisis management, according to a recent study of public sector housing by Mr Harry Cowie for the BMP.

Planned maintenance would slow the slide to a level where complete refurbishment or even clearance will be required in future. Already, there is a backlog of £22bn worth of repairs in England alone, representing a £220 annual outlay per dwelling.

A rolling programme of surveys would fill the huge gaps in local authorities' knowledge of the defects in their housing and cost a mere £19 per house compared with the £85 per dwelling estimated by the Audit Commission that could be saved by eliminating jobbing repairs.

Private money should play a large role, says the BMP report, through sales to developers for refurbishment. Developers such as Barratt and Regalian are already heavily involved in tower block renovation — more because local authorities are being starved of money, rather than any ideological conversion.

Problem estates will be tackled through Housing Action Trusts once the Housing Bill finishes its delayed run through Parliament, but there must be doubts of their impact after criticisms of prototypes on Merseyside which have seen buyers locked into homes depreciating in value.

Private housing could be in an even worse state — a fact easily overlooked when prices and new building rates are booming. A quarter of England's 20m privately-owned homes are "unfit" or lack amenities, but the potential business is locked away because occupiers often cannot afford to get the work done. About 500,000 are pensioners, while two-thirds of those in the worst homes would have to borrow at least three times their annual income to pay for repairs, says the London Housing Aid Centre (SHAC).

Improvement grants, which lever private resources into refurbishing these homes, have been kicked around like a political football. Five years ago, they were much in favour with the government. The value of projects soared to £900m as it raised the proportion of repairs and improvements bills eligible for aid from 75 per cent to 90 per cent.

This aid helped to boost total spending on home improvements to almost £8bn. But grants quickly fell from favour as the Treasury railed at blanket hand-outs which often went to well-off house-buyers colonising inner city areas.

By last year, the number of grants to the private sector had halved to just over 110,000. Owners applying today would have to wait until 1990 for a grant in many areas because local authorities are so short of money.

By this time, however, the whole system will have been shaken up. Grants will depend on the age of a dwelling, rather than its rateable value. They will be aimed at a basic standard of fitness and limited to owners who cannot afford to pay for the work. But details have yet to be defined, which leaves a patina of uncertainty over promises of a more efficient and fairer system.

The government has tried to soothe its critics by pointing to the amount flowing into regeneration through the inner city programme. It also raised limits on eligible spending by public bodies in action areas and its "enveloping" schemes by between 15 and 30 per cent.

But this did no more than allow for rises in building costs and the new VAT charge. It also followed a ban on tax relief for home improvement loans in the Budget after complaints that £100m worth a year were being diverted into consumer spending.

The National Home Improvement Council was not amused, pointing out that the VAT and Budget changes had stripped more than £850m a year from incentives, compared with the £450m a year going into grants.

Private householders now seem likely to follow the same patch-and-mend formula as local authorities, which in turn tends to feed refurbishing "cowboys" and the black economy. This development will keep material suppliers happy with rising forecasts, but depress legitimate builders.

Their biggest ray of hope is the government's continuing passion for inner city spending and the built-in growth factor of rising incomes and home ownership. The more successful the right-to-buy programme becomes, the more work is likely to come to legitimate building companies, since owners are more willing than tenants to pay for refurbishing.

David Lawson

From one store: a myriad

WHITELEY'S, once one of the world's great department stores, is set to re-open in Queensway, Bayswater, London, on Wednesday, May 10, as a 100-shop centre, ranging from large stores to small kiosks. It will include a food hall of about 35,000 sq ft let to Marks and Spencer and an eight-screen cinema which, it is hoped, will attract more than 1m customers a year.

Many of the store's original features have been retained and restored, including the Scala staircase and the glass domes.

House of Fraser has updated its Kensington store, while letting off surplus space

The atrium solution

BARKERS of Kensington is one of those big department stores which once dominated the high streets of every large town. New shopping patterns have left many of these empty and redundant, a problem for planners and owners: their landmark status often means they cannot be cleared away, so they have become a challenge for refurbishment specialists, writes David Lawson.

The House of Fraser has spent £40m punching a hole through the centre of the Art Deco building to create one of the largest atriums in Europe, enabling the upper floors to be turned into 185,000 sq ft of offices behind the listed facade while retaining a compact store and shopping mall at street level.

Shifting a vast amount of waste material through the surrounding congested residential squares was probably the biggest logistical problem, according to Mr Alan Massey of Project Management International, which oversaw the scheme for HoF. Shopping space also had to be shifted around the site while building work went on, as planners insisted that the store could not close during alterations.

The 12,000 sq ft atrium was essential to create an identity for the building and attract a major tenant, says Mr Peter Thompson of architects Fitzroy Robinson, although allowance was made to split into sections for multi-letting. This paid off when Associated Newspapers pre-leased all the space. Ironically, some of the atrium is likely to be refilled as demand for office space increases. Extra room has already been provided for production of the Evening Standard by building out into the central area.

Apart from this built-in flexibility, the old building has proved better suited than a modern one for accommodating the electronic equipment necessary for today's newspaper industry. The old store had 14ft floor-to-ceiling heights, giving more than adequate space for deep raised floors and suspended ceilings to take the network of cables and air-conditioning services.

CASE STUDY: MILLBANK

Swedish revolutionaries

REVOLUTIONARY IDEAS are becoming hard to find among builders and developers. Recurrent nightmares over untested construction methods used in the 1960s and 1970s tend to make them much more careful nowadays. Few will risk something really new in case it goes wrong or is rejected by even more conservative investors.

Outsiders are less patient with this blanket of caution. It helps, of course, if it is your own money you are risking. Anders Nisses, one of Sweden's biggest private developers, is convinced that it has found a new way of bringing far higher standards of comfort and flexibility to old office buildings, and is willing to put its money where its mouth is.

Developers played pass the parcel for a couple of years with the 200,000 sq ft Crown Agents' headquarters on Millbank, near the Houses of Parliament, before Anders Nisses took it on. A £20m refurbishment plan now aims to restore the original glory with the help of a revolutionary method of fitting all air-conditioning and cable runs under the floors.

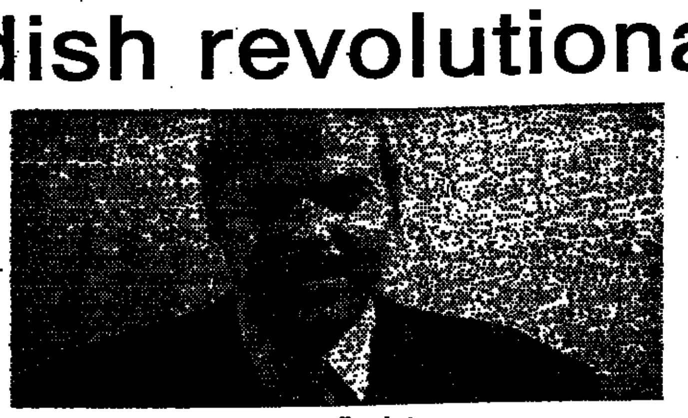
One of the biggest problems in old office buildings is accommodating the wiring and ventilation necessary for businesses which now tend to have a VDU on every desk. Refurbishing usually involves a compromise of false floors raised the few inches necessary to take wiring and suspended ceilings for lighting units and ducting.

But Anders Nisses had already adopted underfloor servicing in its 300,000 sq ft Alviks Strand development in Stockholm. The system produced by Hiross, a multi-national group with a small headquarters base in Southend, is hardly known in Britain but seemed ideally suited to plans for Millbank.

The building has been "disfigured and destroyed" through extensive reconstruction since it was built in 1916 leaving only three or four well-preserved rooms, says Mr C-G (Sigy) Petterson, Anders Nisses director.

He has little respect for the British approach of tearing out interiors and merely retaining historic facades, preferring to reconstruct as closely as possible to the original style. With all services under the floor, the developers will be free to reconstruct the ceilings to their Edwardian splendour.

But Mr Petterson is not so entranced with history to compromise on comfort and efficiency. In fact, he claims that the Hiross system is an improvement on conventional techniques in the most modern buildings. Tests at Alviks Strand showed the underfloor air-conditioning produced cleaner air more efficiently to individual work stations.


C-G Petterson, Anders Nisses director

Perhaps just as important, the Hiross system allows almost infinitely flexible division of floor areas — another demand from tenants who never know from one week to the next how their offices will be arranged. Air moves through floor grills which can be shifted overnight because the whole plenum is made up of removable squares sitting on a raised frame.

Partitions can be altered around easily because they are spring-loaded above and below. Uplighting means there are no integral wires or units in the ceiling to limit where they can go. Positioning is restricted mainly by the window bays.

Mr Glan Blake-Thomas of Hiross says the technique evolved from the company's long experience of producing cooling systems for computer rooms. This was extended into its other business of suspended flooring to produce an integrated low-volume air handling system called Incas, which uses the whole of the underfloor space.

A bonus of Incas is that it requires no ducting, helping to make up for the 2 sq metres of lettable floorspace taken up by each air-cooler. One of these will service 100 sq metres of floor area through secondary units, looking much like storage heaters, which draw air from under the floor. This returns through floor grills to the main unit.

The two air flows are kept separate by baffles, which can be cut and moved if necessary. Each subsidiary unit has individual controls, so every desk could literally have its own temperature setting. Hiross is now working on eliminating the secondary units by putting controls into the floor grills.

Varying degrees of suspicion about the possibilities of this sort of system for refurbishing have been aired by building surveyors and architects. Partial renovation, for instance, might be a problem because of the ramps necessary from entrances into rooms with such high raised floors. Sill heights may also be a limiting factor. The Civil Aviation Authority is trying out a floor of Incas, however, in its headquarters refurbishment at Kingsway in central London.

But a good deal of suspicion seems to arise because many building professionals have never heard of the system, and want to suspend judgement until they see it for themselves.

Mr Petterson has already made up his mind, however, after noting a substantial improvement in air quality and reduction in building costs of £20 to £30 a sq metre at Alviks Strand. Tenants have also swarmed in because of the flexibility he can offer in lay-outs.

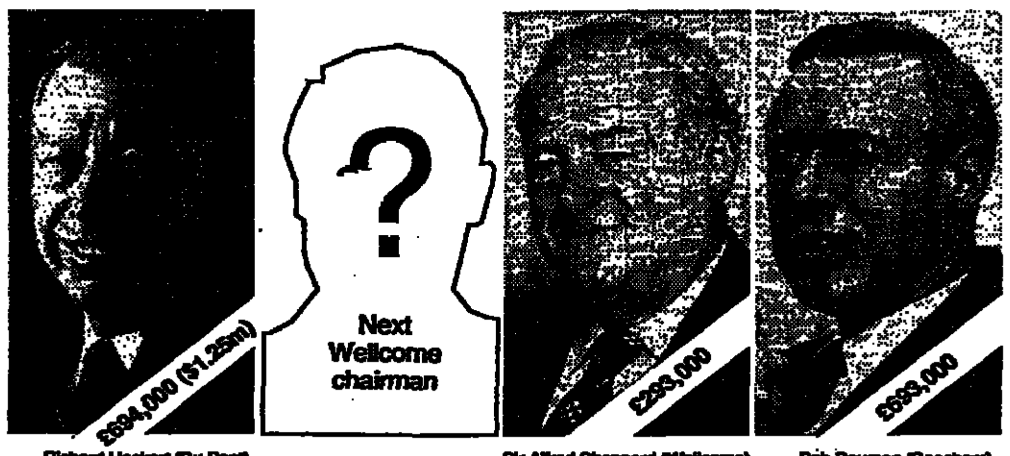
At Millbank that may make up for another revolutionary idea — keeping the surrounding garden to allow sunlight into the building.

"Our English consultants just shake their heads," he says. "The English practice is to build on every millimetre."

Millbank will be a much-visited testbed over the coming months as Anders Nisses sets out to prove that it can teach the British a thing or two about creating efficient modern buildings out of historic hulks.

David Lawson

MANAGEMENT



Richard Heckert (Du Pont) · Sir Alfred Shepperd (Wellcome) · Bob Bauman (Beecham)

Why the Wellcome mat will cost more

Peter Marsh believes the salary of the UK pharmaceuticals group's new chairman will have to reflect international levels

If you are a senior executive with international marketing experience and good leadership qualities, the next time the phone rings it could be a headhunter asking you to consider taking over as chairman of Wellcome, the big UK pharmaceuticals company.

The search for the top executive at Wellcome – to replace 63-year-old Sir Alfred Shepperd, who retires in April 1990 – is likely to stretch far wider than that for many similar jobs in the past.

Wellcome, which is best known for its large selling Retrovir anti-Aids formulation, is saying nothing about the kind of person it is looking for. The company is, however, almost certain to select someone from outside its own ranks and possibly from outside Britain too.

As for salary, that is open-ended. Many industrial observers believe the man eventually chosen – it is highly unlikely that it will be a woman – will command a remuneration at least double the £293,000 a year which is Sir Alfred's last quoted pay figure.

The manoeuvrings related to Wellcome illustrate the way that established patterns in selecting top executives, at least in internationally based industries like chemicals and pharmaceuticals, are beginning to break down.

Driven by the pressures of the global market place, the big companies in these fields are increasingly turning to people with a broad commercial background who have worked in a variety of countries. These qualities seem entirely right today but even a decade ago might have appeared to lack the kind of grasp of detail companies wanted in their top managers.

A case in point is Bayer, the big West German chemicals company, which a few years ago raised a stir by appointing as chairman Hermann Strenger, a globe-trotting Bayer marketing man with no formal technical qualifications. This was the first time any of the big three German chemicals groups – the other two are BASF and Hoechst – had given its top position to a non-chemist.

Strenger is trying to impose his mould-breaking style on Bayer. He has made it a rule that no one will become a senior Bayer manager without having lived outside Germany for at least three years and having had at least two jobs in different parts of the company.

Schering, the German drugs company, followed a similar approach by appointing Giuseppe Vita, an Italian, as its new chairman, ignoring the ranks of German managers waiting in the wings. Beecham of the UK, another drugs group, turned to another non-obvious candidate – Bob Bauman, a US aerospace executive with a background in consumer product marketing – when it last chose a new top executive.

Bauman's appointment highlighted another trend which is affecting mostly UK companies: a gradual narrowing of the international differentials in salaries.

While many UK executives are still poorly paid – even in real value terms – in relation to their counterparts in Germany, Switzerland and the US, the differences have decreased somewhat in recent years. This is exemplified by Bauman's £693,000 salary, which is far above the normal going rate for a comparable UK chairman and chief executive.

Behind the moves towards a more international approach to hiring top managers is that, increasingly, domestic markets are accounting for only a relatively small proportion of the output of companies in essentially global businesses like chemicals and drugs. This is particularly the case in Europe, where home sales for companies of this kind may be as little as 20 per cent of turnover.

At the same time, markets are fragmenting. While in the 1970s a chemicals or drugs company might have sold a particular material or medication to a broad consumer or industrial sector, today the comparable product is likely to be specially tailored to the needs of only a narrow range of customers.

It makes sense, as a result, for a company to appoint as chief executive someone with broad international experience and who has a grasp both of his company's key technologies and also of marketing skills.

These trends are increasingly obvious, says Simon Clay, a leading headhunter, in science-based industries, including drugs and chemicals and also electronics and computers. "Companies in these areas are generally in high-growth fields which are international in scope," says Clay, who is a UK-based vice-president of Korn/Ferry International, the large executive search consultancy.

The moves towards an international market place for senior executives have important consequences for salaries for people in British industry. Typically, a top executive in a UK chemicals or drug company earns half to two-thirds the pay given to a comparable person in a US, Swiss or German group.

Although the differences in salary levels have narrowed somewhat in recent years – partly as a result of the international pressures and of a generally more competitive climate in UK industry – British managers appear if anything to be becoming more sensitive about the issue. "Five years ago a British chairman might have made a joke about the top manager at his Italian subsidiary earning more than he; today it wouldn't be a laughing matter," says Tony Vernon Harcourt, of the Monks Partnership, a UK recruitment consultancy.

The pay differentials can cause special problems – for example, when companies want to switch people between the UK and abroad and have to juggle pay scales accordingly. That certainly applies to internationally oriented companies like Imperial Chemical Industries, Britain's biggest chemicals group. The ICI chairman and chief executive, Denys Henderson, earns £377,000. That is much less than the pay given to a comparable executive in the US, where Richard Heckert, boss of Du Pont, the US's biggest chemicals company, earns $1.25m (£694,000).

To take another example, Sir Paul Girolami, chairman of Glaxo, Britain's biggest drugs company, was recently given a 28 per cent pay rise to take his salary to £397,000. He is still, however, trailing well behind Roy Vagelos – Sir Paul's opposite number at Merck, the biggest US drugs group – who earns $1.37m (£760,000).

Although the pay of the UK chairmen may seem astronomic to the average person, many in the recruitment industry believe broad UK salary levels need to be driven up further to come still more closely in line with the international norm. "How the chairman of ICI does his job for that salary is beyond me," is the apparently non-tongue-in-cheek comment of Robert Baird, a UK recruitment expert.

Discussion of the differences in international pay should, of course, not be carried too far. Exact comparisons are difficult because of shifting exchange rates and cost-of-living discrepancies. And people in less well paid jobs in the UK may be perfectly content in this situation, thanks to their perception of what constitutes a good quality of life in Britain. "They may also have more power and if they are lucky get a knighthood," remarks John Viney, managing partner of Heidrick & Struggles International, an executive search company.

So will Wellcome follow the trend set by Beecham and recruit an American for its top job? The word in the pharmaceuticals industry is that the company is likely to consider this option but will more probably choose a British chairman.

Near the top of many people's lists of candidates is John Robb, a highly regarded ex-Beecham executive who was ousted after Bauman's takeover. Another possible – assuming the pay is high enough – is Robert Cawthorn, an Englishman who runs Rorer, a medium-sized US pharmaceuticals group. Squeezing on to the short list could be John Burke, a former Glaxo director who surprised many in the industry by resigning to take over as a senior executive at Porton International, a little known UK biotechnology company.

Kit Power, chairman of Spencer Stuart, a headhunting agency, is among those who believe that – despite the general trend towards an international approach to selecting senior executives – older doctrines may take a while to be broken down completely. "It's one thing for a company to say it will look at people from a range of countries for its top jobs," says Power, "but it's a brave British board which decides to ignore the UK candidates and employ an American to run the company."

The pursuit of quality

America's prophet remains unimpressed with his country

Barry Wood catches up with the busy lecture circuit of the 88-year-old W Edwards Deming

W. Edwards Deming was still going strong at Washington's George Washington University the other night when the meeting was brought to a close after 2½ hours. Now stooped and a bit unsteady on his feet, the 88-year-old quality management guru had a grand time alternately entertaining and exasperating his listeners, few of whom were alive when the first Deming awards were made in Japan in 1951.

Deming himself was virtually unknown in his own country until he was featured prominently on American TV in a 1980 documentary on the competitive challenge posed by Japan. Hearing that their Japanese rivals had claimed Deming as their greatest teacher finally assured his popularity with American industrialists.

Deming's landmark series of lectures in Japan in 1950 was critical in convincing the Japanese that if they paid attention to quality their products could one day compete in world markets.

Deming's theme last month in this rare public lecture was a variant of his standard lecture for which the uninitiated usually pay $1,000 a head. No fewer than two dozen times that December evening did the legendary consultant and professor proclaim: "We (the United States) have levelled off, we're on the decline."

We've had it too good for too long. We've lost the work ethic. We've become lazy and we're resting on the laurels of economic supremacy gained in the immediate post-Second World War era. Much is wrong, continues Deming; our quality is bad, we don't save enough, our manufacturing is on the decline. Our research has slowed. We've dismantled our phone company.

As always in Deming's lectures the real villain is American management. Warming to the topic – and mischievously exhorting the audience to have some fun – Deming runs away from the overhead projector and marches to centre stage. "We've destroyed our people," he thunders. "We've put them in slots. A manager's job is to help people. But we don't do that. We operate on the outmoded approach of 'I win, you lose'. Rugged individualism is the problem. We need a new economics based on co-operation and joy in work. Abolish grades. Abolish performance evaluations. Break down the barriers between employees."

After the crescendo Deming pauses, sits down and awaits questions. They come haltingly at first and then in a torrent. Deming hears only what he wants despite shouts and translations from the first row.

A civil servant asks whether a recent report recommending higher salaries for government managers is on target. "Absolutely not," answers Deming. "Higher pay isn't the answer any more than doing your best is. Your best isn't good enough. Knowledge is what we need. So we can work more intelligently."

Peer pressure

A young man asks how you deal with a problem worker. He is cut off in mid-sentence. The master rises out of his chair, stabs the air with a forefinger, and shouts: "You made him that way! You put him in a slot. You gave him no responsibility. If there is a problem, peer pressure will take care of it." Conversation ceases.

He then launches into a denunciation of General Motors' highly touted capital investment programme, saying high technology "gadgets" won't assure quality. Deming predicts that the $45bn GM modernisation effort will only "result in poor quality at high cost."

Deming has slowed down in recent months. Illness a year ago kept him from making his customary autumn trip to Japan. He has stopped driving and is now chauffered about in his 1975 blue Maverick which remains parked outside his modest north-west Washington home.

He did only 26 four-day seminars this past year instead of the usual 30. But Deming has no plans to retire. His schedule is booked well into 1990 when he will be 90, and he began the new year with a ten-day work stint in Australia.

This eccentric statistician continues to march to his own drummer. He boycotted the recent White House ceremony unveiling the Commerce Department's Malcolm Baldrige quality awards.

They were intended as a belated American response to the vaunted Deming awards in Japan, but Deming mutters that he doubts that they will do any good.

He ridicules awards and plaques – seemingly oblivious to the irony that the world's most coveted industrial award is a medal bearing his own name and portrait. He says he's waiting to see the real thing – quality – from American companies.

Deming won't suffer fools, or journalists, lightly. One Washington reporter, chagrined at having a promised interview shoved back two years, showed up at Deming's door on a Saturday morning. Waving a letter confirming a date two weeks hence, he asked for reconsideration. Deming admitted the supplicant to the living room. Then he scribbled the reporter's name and phone number on a note card, opened the door leading to his basement office and hurled the card down the stairs. Initially hoping that this was Deming's fail-safe filing system for top priorities, the reporter is still awaiting a call back.

At his George Washington University lecture Deming complains that the US is living on its fat. "We've been declining for 40 years. From here on out we're going to have to work a lot harder."

He ends with a rhetorical question. "Who do you think will be number one in manufacturing in five years' time?" Fearful that this may be a trick question that will draw the master's fury, few are willing to answer. Finally the word "Japan" is uttered tentatively by someone at the back. "Of course," agrees Deming. "How can you catch up if the other guy is moving faster?"

Barry D. Wood is an economics columnist.

FT LAW REPORTS

Notice expiry date determines right to redundancy rebate

SECRETARY OF STATE FOR EMPLOYMENT v STAFFORDSHIRE COUNTY COUNCIL
SECRETARY OF STATE FOR EMPLOYMENT v CAMERON IRON WORKS
Court of Appeal
(Lord Justice May, Lord Justice Croom-Johnson and Lord Justice Glidewell):
December 21 1989

AN EMPLOYER with more than nine employees has no right to redundancy rebate where actual or statutory notice of dismissal for redundancy, whichever was the later, expired on or after August 1 1986, irrespective of whether notice was in fact shortened or waived by agreement with the dismissed employee or his union.

The Court of Appeal so held when allowing two appeals by the Secretary of State for Employment from the Employment Appeal Tribunal's decisions that employers, the Staffordshire County Council and the Cameron Iron Works, were entitled to redundancy rebates. Lord Justice Glidewell dissented on the Cameron appeal.

LORD JUSTICE MAY said that prior to August 1 1986 an employer who made a redundancy payment was generally entitled to a rebate, under section 104 of the Employment Protection (Consolidation) Act 1978 (EPCA).

By a new section 104(1) substituted by the Wages Act 1986, an employer was only entitled to rebate on or after August 1 1986 if the redundancy payment was a "qualifying" one. A qualifying payment was, principally, one made by an employer with less than 10 employees.

By transitional provisions in paragraph 9(1)(b) of Schedule 6 to the Wages Act, the requirement of a qualifying payment did not apply if the "relevant date" fell before August 1 1986. The relevant date, as defined by paragraph 9(2) was calculated by reference to section 90 of the EPCA.

By section 90(1) the relevant date was when notice expired if employment was terminated by notice, and when termination took effect if there was no notice.

But section 49(1) of the EPCA laid down a minimum period of notice to which an employee was entitled, having regard to length of continuous employment.

By section 90(3), where the statutory notice expired later than the "relevant date", that later date was to be taken as the relevant date in relation the dismissal.

Section 49(3) provided that the minimum notice provisions in 49(1) did not prevent the employer or employee from waiving his right to notice or from accepting payment in lieu.

The issue in the present appeals was whether the relevant dates were before or after August 1 1986.

In each case the employer employed more than nine people. Thus if the relevant date in respect of dismissal for redundancy was before August 1 1986, the employer was entitled to redundancy rebate. If it was after August 1, he was not entitled to rebate.

The Cameron case involved the redundancy of 84 employees. Their trade union agreed with Cameron that each individual to be made redundant would waive his entitlement to statutory notice.

Pursuant to that agreement, the 84 employees were dismissed for redundancy without notice in June 1986. If statutory notices had to be taken into account the addition of those periods would project the relevant dates to after August 1.

The industrial tribunal held that the relevant date was when termination without notice took effect, and that Cameron was accordingly entitled to rebate. The Employment Appeal Tribunal (EAT) dismissed an appeal by the Secretary of State.

In the Staffordshire case, a teacher, Mr Edward Baxter, was given notice of dismissal for redundancy on February 20 1986, to expire August 31.

In June the council learned that its entitlement to rebate was to be abolished by the Wages Act with effect from August 1. It wrote to Mr Baxter offering a different termination date. He accepted, and on July 2 he was given formal notice to terminate his employment on July 31.

The industrial tribunal held that the July 2 notice was a new notice, not a variation of the original, and that the relevant date was therefore after August 1. It held that waiver of entitlement to statutory notice did not override the statutory requirement, and that section 90(3) applied.

The EAT agreed that the July 2 notice was a new notice, but held that waiver overrode the section 49(1) requirements, so that section 90(3) did not apply. Consequently the relevant date was before August 1 and the council was entitled to a rebate.

The Secretary of State now appealed in both cases, asking the court to hold that the employer was not entitled to rebate.

The "relevant date" for purposes of paragraph 9(2)(a) of Schedule 6 to the Wages Act, was to be ascertained by reference to both subsections (1) and (3) of section 90, and if two different dates were thrown up one chose the later.

Miss Booth for Cameron pointed out that its employees' contracts had been terminated in June and that the redundancy payments had all been made before the end of that month. It was not until a month later that the Wages Act became law.

Section 32(3) of the Wages Act provided that nothing in Schedule 6 should prejudice the operation of sections 16 and 17 of the Interpretation Act 1978.

Miss Booth's point was that before the Wages Act came into force Cameron had acquired a right to the redundancy rebates. It had qualified for them, but what it had not done and possibly had not had time to do, was to claim them.

She relied on section 16 of the Interpretation Act which provided that repeal of an enactment did not "unless the contrary intention appears" affect any right accrued under that enactment.

Miss Booth submitted that her client had an indefeasible right to the rebates which, under section 16, could not be taken away.

Mr Laws replied that a "contrary intention" appeared from paragraph 9 of Schedule 6 to the Wages Act.

Paragraph 9 applied the whole of section 90 of the EPCA in identifying the relevant date, including section 90(3). On that construction, paragraph 9 provided that if the claim to rebate was made after July 31, or the relevant date fell after that date, rebate would not be payable.

The result was that the "contrary intention" did appear for the purpose of section 16 of the Interpretation Act, and Miss Booth's point failed.

Mr Soule for the council argued that by agreeing to short notice Mr Baxter waived his entitlement to notice, and there was no scope for section 90(3) in calculating the relevant date.

The argument was not sustainable. Whether waived or not, section 49(1) "required" a notice of specific length to be given, and if that had not been done section 90(3) still applied, notwithstanding any waiver.

Mr Soule also submitted that the July 2 notice to Mr Baxter was merely a variation of the earlier notice, and that the relevant date was therefore prior to August 1. He contended that to construe the second notice as a new one could deprive the employee of some benefit, and the courts leaned against such an approach.

The courts did lean against any construction of succeeding dismissal notices which would operate to the employee's detriment, but that was not made out in the present case.

The court had to look at the real operative cause of termination. That was not the February 20 notice. The operative cause of termination was the July 2 notice. It was a new notice, not a variation.

The EAT erred in its decisions. Both appeals were allowed.

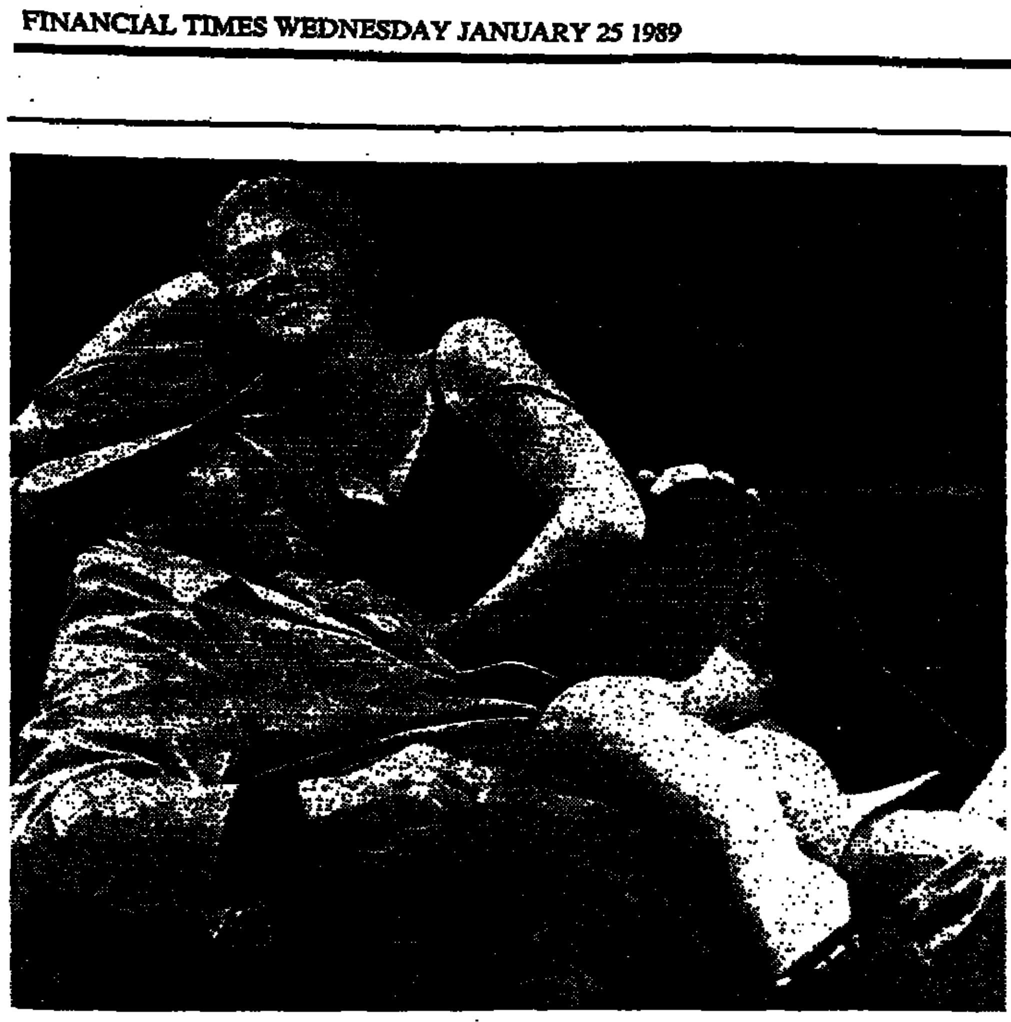
Lord Justice Croom-Johnson agreed.

Lord Justice Glidewell agreed on the Staffordshire case, but dissented on Cameron. He said that Miss Booth's argument that at the end of June her clients had an established right to rebate which was preserved under the Interpretation Act should succeed. It would need clear words, not mere inference, to make the contrary appear.

For Cameron: Cherie Booth (Booth & Co, Leeds)
For the Council: Michael Soule (County Solicitor)
For the Secretary of State: John Laws and Robert Jay (Treasury Solicitor)

Rachel Davies
Barrister

ARTS



Bob Peck and Helen Mirren in "Some Kind of Love Story" Alastair Muir

Two-Way Mirror

YOUNG VIC

Monday marked the first major British production of this 1982 Arthur Miller double-bill, and its London premiere interestingly confirms the great playwright as being preoccupied in his latter years with ways of seeing rather than ways of stating the obvious, the self-justifying, the thunderous, the moral.

In the wake of *After The Fall* last week in Belfast I can only welcome the development. Whereas in that 1964 rambling odyssey Miller portrays himself at the epicentre of post-Holocaust guilt and questioning, he has now adopted an inflected view of character, an outsider role.

This is the new post-Pinter, post-Mamet Miller, with two people enmeshed on the sidelines of a drug, police and murder scandal, another two entwined in a cool neon-lit limbo where stylistic reality has taken a nap. The pieces are played with devastating precision and musical intuition by Helen Mirren and Bob Peck, and are directed with imperious confidence by David Thacker in designs of sumptuous, minimal elegance by Bob Crowley.

In *Some Kind of Love Story*, the detective Tom O'Toole returns to his hooker-lover, Angela, to pick up on a murder of five years ago. They say of this Tom, this dick, this no doubt Harry, that he could not track a diarrhoetic elephant on a glacier. Angela, in her louche rust boudoir, is involved in deep scandal, sees police cars everywhere, and reverts to catatonic embryos of childhood and society mocker.

Tom and Angela are squeezed marginal victims in the dirty city, itself represented by miniature grey cars and buildings which lap the raised square bedroom of abandoned lingerie, a dressing table Madonna and black silk sheets. The play is a thriller, and a deeply ironic one, too, resolved in strategies of personal dealing.

Mirren is a fallen angel with a heart of silver. She inhabits this provocative hooker with all the unstudied, caressing physicality of a damaged desperado. The information that she was raped by her father falls like an icicle in the cavern of cavil and contempt that engulfs she and Bob Peck. Peck is a granite-like intruder, comically backing into his own minefields.

The offensive initiative reverts to Peck in *Elegy For a Lady* as he enters a sleek boutique in search of a present for a dying girlfriend. He is an ageing married man, the unseen girlfriend has just turned 30, the proprietress (Mirren in sheeny grey tights and suit) tries to help, or at least listen, in her humming oasis of smart gifts on neon-tinged plinths.

Peck plays a town-planning consultant, in business with his betrayed wife, who has given up because he will not live to see the consequences of his destructive indifference. That major Miller flaw is built by Peck into a subtle explanation of his opportunistic toying with the proprietress, whom he first takes to be a shop-girl, of course.

There is more story, more rich history, in the first play, but I was much moved by the shifting colours of the second. A strange exercise in affection transference – is Mirren the new object, a signal of the dying friend? – becomes a reverberative variation on familiar obsessive themes. At the heart of both plays is the persistent Miller quest for truth in defiance of impertinent interrogation.

Michael Coveney

Ties That Bind

PURCELL ROOM

Under the auspices of the London Mime Festival, Trestle Theatre is on the South Bank until Thursday night adding a spooky new twist to their mask and mime work.

Ties That Bind is the social tragedy of 16 year-old Julie, unloved at home and sexually abused by her father whom she finally murders. She is played by Thomasina Carlyle with a face of scowls and granite, bags under her eyes, a very picture of repressed animation. Her real face is a mask for inner turmoil and distress.

Other characters, except for a casually sarcastic teacher, who flings marked exercise books out into the audience with a scattering of beautifully hurtful remarks, exist behind the blubbery Cabbage Patch masks that are this company's hallmark.

If all you ever see is mime, the work of Trestle must seem revolutionary. But in aspiring to the condition of mainstream serious drama, Trestle only succeed in exposing the flimsiness of their devices.

The root source of invention is the unfathomable mystery of the mask. But the minimalist soundtrack, judderingly amateur film sequences and the twee scenic tricks of sofas and beds suddenly changing into fairground rides, all these are fairly primitive and out-moded production mannerisms. A group like Theatre de Complicite is miles out ahead now, leaving Trestle to look like an inventive kids' television show stricken with earnestness, *Playschool* for progressives.

Toby Wilsher and Joff Chafer execute their quick-changes with no sign of strain except for the odd stumble down the stairs. Having established the violent home background of Julie and the discovery by the school caretaker of a crumpled cry for help as he sweeps up, the show sidetracks into tepid charade. The first moment of incestuous overture, though, strikes a sudden chill.

Apart from that, and the undoubted skill with which the plastic masks and matching wigs are invested with creepy life and curiously subtle expression, the proceedings seems slow and predictable.

Michael Coveney

TELEVISION

All moonshine about current affairs

According to received wisdom within the television industry, two simultaneous revolutions are now supposed to be occurring in current affairs journalism, each precipitated in one way or another by John Birt. Inside the business there is endless talk on the subject. The pros and cons raise as much passion as the debates about satellites and Mrs Thatcher's White Paper on broadcasting.

Yet the odd fact is that if you watch very carefully what is appearing on screen, the only thing you can say with certainty is that there is a lot more current affairs today than ever before. The revolutionary changes appear to be a figment of the broadcasters' collective imagination so far.

Up to March 1987 John Birt spent his career in ITV. He worked on *World In Action*, then in 1972 at London Weekend Television he started *Weekend World* with Peter Jay as presenter. Together they wrote a series of articles about the supposed "bias against understanding" in conventional television news and current affairs programmes which they believed failed, too often, to put matters in context. Their mission was to explain, and some say that they used a rigorous and austere formula to make *Weekend World* into a tool of didacticism.

While the old practice on programmes such as *Panorama* and *This Week* had been to send out personable presenters to the world's hot spots to find out what was going on and report back on film, *Weekend World*, it was said, was more inclined to send researchers round to a professor at the London School of Economics, interview him repeatedly until he delivered the quotes to support their theory, and then present the story on screen in the form of statements, graphics, and documentary clips which linked together to illustrate an analytical account of cause-and-effect, whether about banking or butter.

LWT promoted Birt, first to Head of Current Affairs, then to Director of Programmes, but in 1987 he was lured away by the BBC to become Deputy Director-General with special responsibility for combining and reorganising the entire news and current affairs divisions. Much wailing arose from Lime Grove, Broadcasting House and other centres where the BBC's broad church had traditionally tolerated all sorts of journalism, from dry academicism (55-minute political interviews by Michael Charlton) to emotional populism (Desmond Wilcox with a weeping mum).

The story assiduously put about by BBC malcontents was that henceforth all journalism would be "Birtian" and that this meant agreeing with your superiors the precise conclusions of your story before you left the building, then going out and putting it on film, whatever contradictory information you might come across. Worse, it was hinted, the new regime was ultra-sensitive to Tebbit-style criticism, so questioning of Government policy would be unwelcome.

Meanwhile, back at London Weekend, with the cat gone, the mice were having a ball. Greg Dyke, Birt's successor as Director of Programmes, and Jane Hewland, the new Head of Current Affairs, took against Birtian principles. They scrapped *Weekend World* and declared that the time had come for a more populist form of television journalism which was not ashamed to borrow from the tabloid press.

Thus, we were told, the scene was set for the new era of broadcasting. With the Thatcher Government ushering in umpteen new television channels via satellite and pressing for the auctioning of ITV franchises, which clearly meant tougher competition on the commercial side, it seemed that ITV was dropping its old public-service attitudes and going for ratings-building tabloid journalism. Meanwhile the BBC, with its rôle as the main-stay of public service emphasised more than ever, but deeply sensitive to government influences, would single mindedly pursue its worthy and tedious mission to explain. That is the picture that many television journalists will paint today – usually in tones of gloom and despondency.

John Birt: at the centre of the so-called revolution

It bears virtually no relationship to reality. Yet. True, earlier this month LWT did replace *Weekend World* with *Eyewitness* which was launched with considerable razzmatazz. There was much talk of a more youthful approach, brightness, snappiness, "relevance," and being understandable to ordinary people. Sure enough, the opening item showed how an *Eyewitness* reporter easily got a job as an aeroplane cleaner at Heathrow and hid a large box of chocolates – which could have been a bomb – under a seat on an airliner.

It was a slick trick which made a powerful point . . . but why did it ring such a loud bell? Of course: when Jerry Wallington wanted to show how businessmen were able to get away with sanctions-busting he loaded a prohibited export item (a new back axle) openly into a car and drove it over the border, filming all the way and proving how easily it could be done. It was a slick trick which made a powerful point . . . for *World In Action*. The border was Rhodesia's, the date was 1965, and the reporters who now work on *Eyewitness* were probably busy being born.

Eyewitness has proved so far to be a goodish but entirely un-revolutionary example of the sort of popular current affairs journalism which ITV has been producing for more than 30 years. Its item on the Irish sea triangle, with fishing boats towed along by "mysterious" forces, was old hat. Its item about finding facilities for premature babies fell into the ancient TV trap of creating "shock" stories by simply assuming no limits on NHS spending; its drug story this week was conventional but proficient; and its story about the departure of Robert "Tumbledown" Lawrence to Australia seemed to be a real scoop.

If *Eyewitness* practises for a couple of years, and the presenters all become as good as the admirable Trevor Phillips, learning to read autocue without looking like terrified goldfish (which they will, no doubt) it may one day be as good as *Searchlight*, the splendid slam-bang tabloid series launched on ITV by former Daily Express man Tim Hewat in 1958. And if *Eyewitness* stays in busines until 2015 AD it may acquire as much kudos, experience, and "tabloid" know-how as *World In Action* (b.1963).

Meanwhile, elsewhere on commercial television, *Dispatches* has recently given us a good and thoughtful but obviously non-tabloid account of Russia's use of mental hospitals to imprison dissidents pre glasnost. *9-II-5* did an excellent little item on lorry driving in London, worthy of *Tonight* at its best (b.1957). *This Week* fulfilled the rare function of representing the public interest in keeping a watching brief on the press when it reported with the soberness of The Independent on new privacy laws. And *World In Action* itself has sustained its 26-year record of outstanding popular journalism with reports on women's fear in the streets; the psychiatric consequences of public disasters; and police "verballing."

And what of the cowed, forelock-tugging Birtian automatons at the BBC? This week we have had an edition of *40 Minutes* which threw cold water over the grandiose claims made for the Tyneside Metro Centre, brainchild of John Hall, one of Margaret Thatcher's favourites. A fortnight ago *Panorama* provided an audit on gains and losses in freedom during 10 years of Thatcherism, with the emphasis very clearly on the losses. The BBC2 series *Sisters Under The Skin* began with precisely the sort of serendipitous subject that has always existed on the fringes of BBC current affairs: a troupe of English can-can dancers, several of whom sincerely regard themselves as feminists.

Just after Christmas BBC2 delivered a report on London's down-and-outs, *Street Stories*, which could hardly have been less predictable or preconceived, and this week's *Everyman* comprised a "report" on the troubles in Lebanon from Charles Glass, speaking simply over newsreel clips and stills, which was unlike anything I have ever seen previously.

It would be silly to become Panglossian over British television journalism. If the satellites do succeed, standards may plummet, and the BBC may indeed be left holding the public service baby. But, at present, there is more current affairs material then ever; there is remarkable variety; and the idea that the BBC's output is all boring and respectful, while ITV's is all tumbling down-market to tabloid level, is sheer moonshine.

Christopher Dunkley

Madama Butterfly

COVENT GARDEN

Nuria Espert's production of Puccini's opera was made originally for Scottish Opera in 1987, and acquired by the Royal Opera last autumn; in this speedy revival, Glasgow's heroine Yoko Watanabe rejoins the show.

As always, having a Japanese *soprano* as Cio-Cio-San guarantees as many *frissons* as having an authentically black Othello (whether Shakespeare's or Verdi's): in a role where masquerading as an abused ethnic alien is normally a vital *factor*, we're faced with a performer who *is* an ethnic alien, and can play it without tricks of mimicry. For *Puccini's essay in enraptured* sado-masochism that is particularly discomfiting, because it denies us a whole *degree of comfortable aesthetic* distance.

Even in those recent times when Cio-Cio-San was *standardly represented as a* fragile porcelain wimp, Japanese sopranos have worn her kimono with more grace – *and greater dignity – than* their Western colleagues. (Despite mixed feelings! – I gather that the Japanese feel *flattered by Puccini's* sympathetic creation, but embarrassed by absurd details in her ritual ostracisation and her suicide.)

Now, Miss Watanabe is no winsome Butterfly destined for breaking upon a wheel, but (with the benefit of Espert's sourly updated, downmarket setting) a strong, resilient creature, vulnerable only through her naive loyalty and youth.

Her soprano is used with dramatic intelligence, though it doesn't trace an exquisite line: "Un bel di" was forthright and *effective*, without conscious finesse. This Butterfly's Italian vowels went strange from time to time – *and why not? The Watanabe* middle-voice is at once dusky and beautifully clear (a Japanese gift, as we have been *learning*), and *it* has unusual power; some blotting in the upper register, not to mention some doubtfully successful *striving toward top notes*, ceased to be a problem once Act 1 was safely past. She was intensely moving.

Her Pinkerton is Mario Malagnini, suitably personable and feckless but – at the moment – an under-sized tenor for the scale of the house, despite his promising style. Mark Ermler's full-voiced orchestral treatment gave him little quarter, vital and astutely musical though it was.

The decent, troubled Consul is Thomas Allen, entirely right in spirit but so far too shyly detailed, too buttoned-up and English: Sharpless is after all American, and there isn't the slightest reason to suppose that the Italian authors of the piece imagined him with a stiff upper lip.

Something similar could be said of Anne Mason's sturdy Suzuki, who is given too little to do beyond looking devoted and despairing, and yet makes an honest impression of some weight. There are excellent accounts of the smarmy marriage-broker, the Imperial Commissioner and the silly suitor-Prince by John Dobson, Anthony Michaels-Moore and Bruno Caproni, and Gillian Webster as the new Mrs. Pinkerton suggests exactly *what* her miserably sketchy part leaves blank.

David Murray

Yoko Watanabe Alastair Muir

ARTS GUIDE

January 20-26

THEATRE

London

Single Spies (Lyttelton). Marvellously entertaining new Alan Bennett plays about Guy Burgess and Anthony Blunt, with Simon Callow and the author. Prunella Scales joins in as Her Majesty the Queen. In National Theatre repertoire until February 4 before transferring to West End (928 2252).
A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stone-walling and no-dealing tricks (930 2578, cc 839 1438).
The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year. Feb 8-11, 24, 25, 27, March 9-15, March 25, 27 (928 2252, cc 240 7200).
The Shaughraun (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea (928 2252). Feb 13-16, March 1-4.
Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).
Mrs Klein (Apollo). Intriguing chat among the child psychoanalysts in Nicholas Wright's hit transfer from the National. Fizzing performances from Gillian Barge, Francesca Annis, Zoë Wanamaker (437 2663, cc 379 4444).
Orpheus Descending (Haymarket). Triumphant debut for the Peter Hall Company with Vanessa Redgrave candescently sensual and Italianate in atmospheric restoration of Tennessee Williams's last indisputably major play (930 9832).
Henceforward (Vaudeville). Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).

Arnhem

The Young Vic on tour with Waiting for Godot, with Reg Stewart and Peter Theedom (Schouwburg). (Wed only) (422 741). Moves to Groningen (Schouwburg; 125 645) on Fri;

Rotterdam

Evita (Doelen). The original Broadway production with Florence Lacey (Tue to Thur) (413 2490).

New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the *inevitable but disappointing* hit.
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically *feline* (239 6262).
A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its back-stage story in which the songs are used as auditions rather than emotions (239 6200).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Starlight Express (Gershwin). Those who saw the original at *the Victoria in London will* barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades *(348 4000)*.
Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).
The Piano Lesson (Goodman). Prolific August Wilson continues his exploration of the American black in history with a play, set in 1936, about a family's arguments set round an elaborately carved heirloom piano. Ends Feb 11 (443 3800).

Tokyo

Kabuki. The festive New Year programme at Kabuki-za (541 3131) *includes a* popular modern kabuki play Jii-san, Baa-san (Grandpa, Grandma) at the 11.30 matinee. The evening show at 4.30 ends with the spectacular Lion Dance, featuring Ichikawa Danjuro XII and his nine-year-old son. At the National Theatre (265 7411), the world-famous onnagata, Tamasaburo Bando, is one of the players in a mixed programme which includes two dance numbers. Ends January 28.
Yamato Takeru of Mt Ibuki. Some of the kabuki theatre's finest young actors perform a new play about one of Japan's mythical heroes, in a production by kabuki's finest showman, Ennosuke Ichikawa. Parco Theatre (477 5858). Ends January 26.
Carmen. Musical (in Japanese) based on the opera, but which follows Merimée's novella more closely than Bizet did. The aim, *according to director* Mike Ashman of the Royal Opera House, Covent Garden, is to put back "the sex and violence". Aoyama Theatre (581 1711).

Fine Arts Brass

WIGMORE HALL

On Monday the Fine Arts Brass Ensemble brought to London specially commissioned works – by Robin Holloway, Philip Wilby, and Malcolm Arnold (the characteristically neat and jovial Brass Quintet no.2) – whose first performances they gave outside the metropolis last year. The continuing revival of interest in brass music owes a good deal to fine ensembles such as this one: the Fine Arts manage to attract worthwhile composers and then reward them with stylish, lively readings, sharply profiled and full of flair.

Holloway's Brass Quintet, fifth in his series of Divertimentos, sets out to be somewhat *contradictory in its* character, at once diverting (in the sense of its subtitle) and tough-spirited, euphonious and shapely yet built out of lopped-off phrases and quizzical interruptions. The five-movement span of the work beautifully fills out the outline suggested in Holloway's programme note: the idiom seems to marry Weill and English brass consort music of a past era, and, as in the most engaging and intriguing Holloway pieces, there is a *touch of wit* and irony in the handling of sounds and forms. There is also great virtuosity in the writing for the instruments – notably in the little "Scherzino" which forms the middle movement, spun off with bouncing rhythmic lightness, and in the "Funeral March" which follows, exploring a surprisingly wide range of muted colour.

Wilby's *Classic Images* takes its title from a collection of Ansel Adams photographs (the ones that directly inspired the three movements of music were re-printed on a sheet inside the programme), and likewise attempts to parallel Adams's approach to imagery. "Aspens", the opening movement, and "Surf Sequence", the second, left the most striking impression on a first hearing – the first a fine-lined horn solo shaded and shadowed by the *other instruments*, the second an exuberant scherzo. The correspondences between visual and musical art-forms mattered less than the vigour and, again, virtuosity of the brass-writing. The Wigmore was filled withexciting sounds which never quite crossed the pain threshold.

Max Loppert

FINANCIAL TIMES

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Wednesday January 25 1989

Greenspan's amber light

THERE IS nothing very new in the measured caution with which the Federal Reserve Chairman, Mr Alan Greenspan, assessed the US economic outlook in his appearance before the House Banking Committee yesterday. What is new is the support he received from members of the Administration.

The Budget Director, Mr Richard Darman, was almost equally cautious about the sustainable growth potential of the US economy, putting it somewhere near 3 per cent. This implies that he also agrees with Mr Greenspan's firmly-stated view that the US cannot resolve its deficit problem simply through growth and that some fiscal tightening is therefore desirable, both to help balance the budget and to head off any possible danger of over-heating.

"Possible danger" would have been read in the markets as a dangerous understatement up to the end of 1988, but in the last two or three weeks that domestic demand is indeed cooling off. Retail sales in December were very flat, housing starts have fallen sharply and the growth of consumer debt continues to slow down.

Optimistic view

This lends some support to the Chairman's clear forecast that the trade balance should continue to improve – a much more optimistic view than the recent consensus among academics and the gloomier Wall Street pundits. Wall Street, however, became more optimistic after the November trade figures: the deficit was sharply higher, but nearly all the damage was done by a surge of imports of capital equipment, and this tide is soon expected to ebb.

It is the danger of inflation rather than of an enlarged foreign deficit which worries Mr Greenspan. The US economy, as he sees it, is uncomfortably close to the margins of productive and labour resources, and flirting with the danger of cost-led inflation.

He is not worried that this might cause a recession. "As we enter 1989, there are few signs of any significant impediments to continued expansion," he said. But he regards the present US inflation rate of 4.4 per cent as "unacceptable," and clearly means what he says when he repeats that his long-term aim is price stability.

For the time being, he favours both a demanding exchange rate and high interest rates as a cautionary measure, but he did offer an uncharacteristic gleam of financial optimism: rates could well come down, he said, once a deficit-reducing budget was agreed. Indeed, he must fervently hope so, for he conceded in his discussion of the related thrift and less-developed countries' debt crises, high interest rates impose large risks on what is still a very fragile financial system. His argument for relatively high rates now is that they head off the danger of still higher rates later.

Shaky economies

In economic terms, this picture looks very like life, but financially, it looks somewhat too bland. The markets are no doubt fairly shockproof on the subject of debt, as Mr Greenspan said, but the real economy, and especially the Latin American economy, is in crisis now. It is not enough to spell out the objective of a renewed flow of capital at viable interest rates to the shaky economies of America's neighbours; that has been the objective for years, but the chances of voluntary bank lending grow less every day.

It is good news, then, that debt is at present intended to be the top of the agenda at the meeting of the Group of Seven at the beginning of next month. It will raise two questions which challenge the thinking of the last Administration: its preference for bilateral solutions and its determination to avoid any explicit charge on the US taxpayer. The European and Japanese views favour multilateral solutions and recognise that taxpayers will have to rush in where commercial banks very naturally fear to tread. If the meeting is to produce promising new initiatives rather than continuing squabbles, the Bush team will have to prove that its new realism is not confined to giving up wishful thinking on domestic growth.

The salaries of academics

PAY IN an expanding sector of the economy tends to run ahead of rates elsewhere. This is a normal mechanism for sucking in resources – especially of skilled manpower – from declining sectors. According to Mr Kenneth Baker, the UK Education Secretary, British higher education is poised for rapid expansion. In a recent speech at Lancaster University he extolled the merits of mass higher education in the US and suggested that the UK should aim to double – to 30 per cent – the proportion of 18-year-olds attending some form of university or polytechnic. He might, therefore, have been expected to outline a strategy for raising academic pay to the levels required to cause a massive inflow of talent.

In reality, his attitude towards university pay has been negative in the extreme. Indeed, an unbiased observer would have to conclude that the Government is preparing for contraction rather than expansion. Lecturers received no pay increase at all in 1988/89. This year, the funds made available to university vice chancellors will finance an award of only 3 per cent. Sir Mark Richmond, the chairman of the Committee of Vice Chancellors and Principals, said he was embarrassed at the inadequacy of this offer, and is seeking an additional £50m from ministers – the equivalent of 6 per cent on the pay bill. Academics, meanwhile, are behaving more like students than dons; their exasperation has pushed them to boycott examinations and hold formal demonstrations.

Pay decline

All the figures on comparative pay rates appear to uphold the dons' case. Since 1979, lecturers' pay has fallen by more than 20 per cent relative to average earnings; the decline relative to highly-paid professionals and those in expanding sectors has obviously been far greater. Academics' pay has declined even in relation to such relatively depressed groups as schoolteachers, civil servants and teachers in colleges of further education. Indeed, lecturers are one of the few groups whose pay actually buys less in terms of goods and services than it did in 1979 – quite an achievement given the scale of the economic recovery since then.

Cynics will say that artificial comparisons of pay prove nothing: lecturers may have been paid too much in 1979. Pay should best be determined by market supply and demand. If universities cannot attract suitable staff in certain subjects, they should be allowed to raise salaries; but it matters little if pay falls in unfashionable disciplines such as philosophy or ancient Greek.

There is undoubtedly a case for greater flexibility in pay scales. It makes little sense to treat academics as an indivisible breed when the pay dons can command in alternative professions varies so much by subject. But here the Government is already pushing on an open door. The vice chancellors – if not union representatives – want to use extra government funds to attract lecturers in shortage subjects, such as accountancy and law, and to reward individuals for outstanding performance. Extra cash for this year's settlement could, therefore, be used as a lubricant for reform.

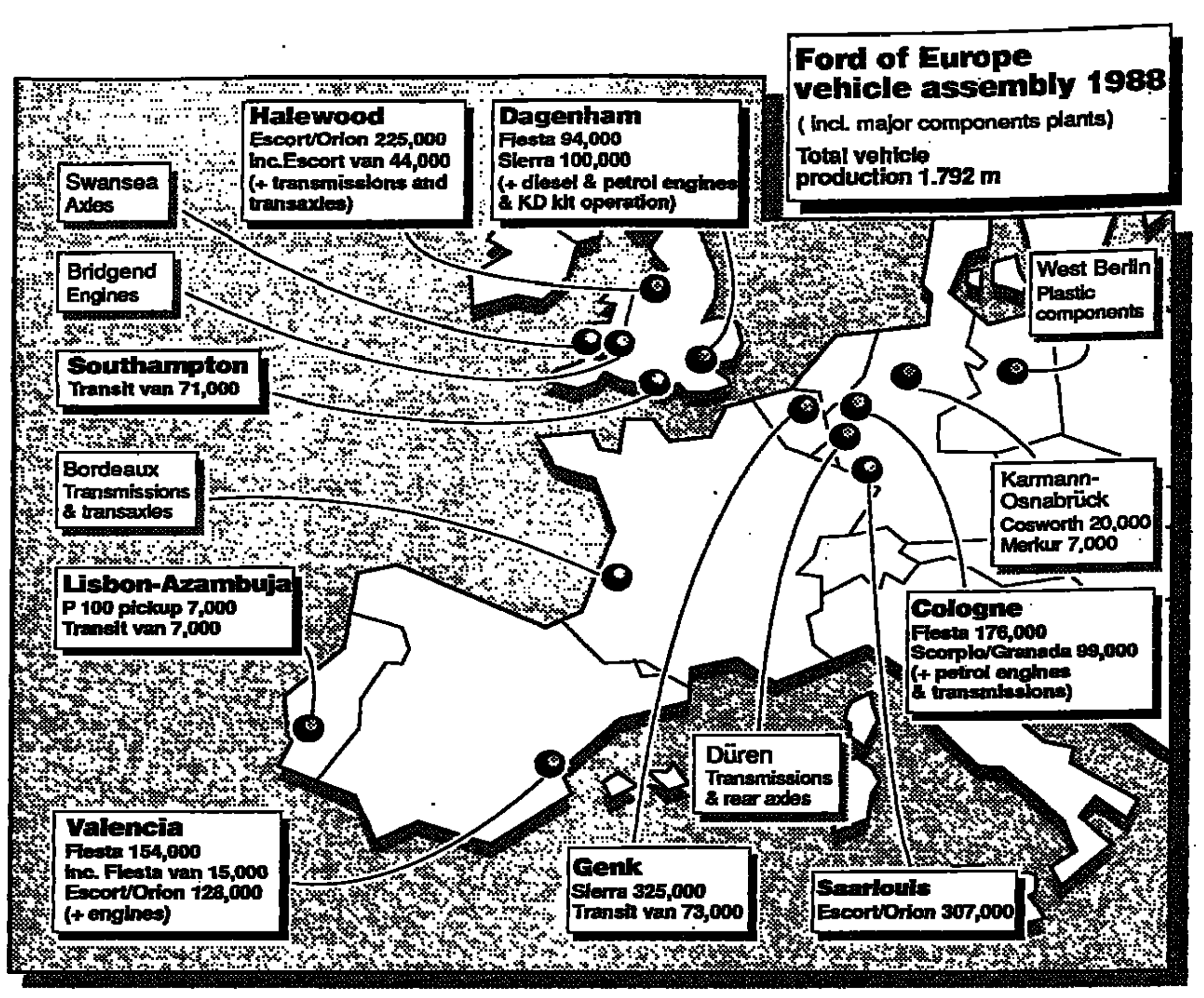
Quality of staff

But the market arguments should not be taken too far. There is already evidence that comparatively few able graduates are willing to contemplate an academic career: in many subjects, fee-paying foreign postgraduates now outnumber UK students. Some dons also point out that the quality of new appointments in some fields has fallen. The issue is thus not whether universities can attract staff, but whether they can attract staff of sufficiently high quality. Comparability exercises can be dismissed by those who worry only about numbers but not by those who also worry about quality.

The Government is right to encourage universities to seek alternative sources of finance. But such efforts are in still their infancy. For the foreseeable future, the universities will remain overwhelmingly dependent on public money. Mr Baker thus has a duty to match his rhetoric about future expansion with the resources needed for a realistic pay award for lecturers. The universities will otherwise remain in relative decline.

Kevin Done examines Ford of Europe's strategy for the next decade

Gearing up for the race of the 1990s



Ford of Europe has thrown down a gauntlet to the rest of the European car industry with the declared mission of becoming the lowest-cost car producer in Western Europe by the early 1990s.

It is trying to make itself the car maker best placed to survive the crunch that it believes will confront the European motor industry in the next decade. At the same time it is increasing capacity by 10-15 per cent and launching three new-generation models in the next four years to regain market share lost to its rivals.

Ford is seeking greater flexibility from its European workforce – including three-shift working for the first time at one of its European assembly plants – while reducing the complexity of the manufacturing process. Ford of Europe is playing a leading role in the overall group's fresh attempt to develop a system of world car engineering. This aims to reduce design and engineering costs, to cut product development time and to minimise duplication of effort.

One result of the new policy was the decision, announced last week amid union opposition, to end production in the UK of the Sierra, Europe's best-selling medium-size car. Assembly of the Sierra range (and of its replacement in the early 1990s) will be concentrated at the company's plant at Genk in Belgium. This decision is, however, just one piece in the strategy the group is evolving to cope with the mounting global pressures for greater efficiency, quality and productivity.

In this race, Ford already claims to be ahead of most of its European rivals, including Volkswagen, Peugeot, General Motors and Renault, but admits that it is currently being outperformed by Fiat of Italy. It says that even Fiat, the most cost-effective of the traditional European producers, will probably be overtaken by Japan's Nissan when that company's £610m car assembly plant in north-east England reaches planned full production in 1992-93.

Mr Bill Hayden, Ford of Europe's combative manufacturing director insists, however, that "by 1992 we will beat or match them both with our current rate of progress. We want to be the best in class in quality and the lowest cost producer. With a good model range, whatever the challenge should be, we will have a better chance than any to survive the shake-out."

Ford believes that a shake-out in the European Community's motor industry is unavoidable as the market is opened up to the full force of Japanese competition. "Do you believe that if the Community becomes an open market that all the existing producers can survive?" asks Mr Hayden. "If the Japanese come in hard, they could not."

The number of blue collar workers employed by Ford of Europe in manufacturing has dropped from 104,000 in 1979 to 77,500 at the end of 1988, while the salaried staff has been cut from 18,300 to 12,000. During the same period, the company increased vehicle output (cars, car-derived vans and panel vans) by 37 per cent from 1.31m to 1.79m.

Ford maintains that it has increased its labour productivity by an average of 8.5 per cent a year in each of the last four years. "By 1992-93 we believe that with our continental plants we will be the most efficient producer in Europe, despite having very high wage rates in Germany," says Mr Hayden.

At the same time Ford has been closing the productivity gap between its UK and continental plants. In powertrain production (engines and transmissions) the gap is now only about 10 per cent. In vehicle assembly, Ford says the competitive gap has been reduced by more than 50 per cent since 1983, "but it was horrendous when we started," says Mr Hayden.

The biggest strides have been achieved at Halewood, Ford's assembly plant on Merseyside for the Escort/Orion range, where labour productivity has been improved by 11-12 per cent a year in the last three years. The much older Dagenham plant in Essex – until now producing Fiestas and Sierras – has lagged behind, however, and Mr Hayden says there is still "a significant gap" in productivity between the UK and continental assembly plants.

The attack on materials costs has also yielded big dividends, and Ford is now succeeding in reducing purchasing costs by 3.5 per cent a year – after it has allowed for inflation and other increases outside its control – compared with 2.0 per cent a year in the 1970s.

Mr Hayden claims that at the moment Ford of Europe can compete with the delivered costs of a Japanese built-up import, but this is only because of the freight and duty costs burdening the Japanese.

With the further progress it expects to make in catching up on the Japanese domestic industry – and helped by a likely further appreciation of the yen – he believes Ford of Europe could have a cost advantage of $1,000 (£564) a car by 1993 over an imported Japanese vehicle. However, any advantage based on Japanese freight costs will be wiped out by the Japanese setting up shop in Europe.

At present the European car industry is riding the crest of a wave. The unprecedented surge in sales since the mid-1980s has established Western Europe as the biggest car market in the world, overtaking North America in 1987.

From 1977 until 1985 car sales in Europe remained more or less static around the 10m mark with demand never more than 6 per cent either side. Now the industry is convinced that sales have jumped on to a new trend line that could fluctuate around 12m units a year depending on the strength of the European economy.

The Japanese cannot afford to stay outside such a lucrative market, Ford argues. They are already well on the way to establishing plant capacity in North America to produce 2.6m vehicles a year by 1992, and will soon be able to turn their attention more single-mindedly to Europe.

Despite the present boom there is already over-capacity in parts of the industry, most notably at Austin Rover and Renault. The more ambitious car makers, including Ford, are now gearing up to create more capacity.

Ford of Europe's shortage of capacity – which helped it to lose market share in last year's European market – has caused the company to reshape the five-year business strategy review it began in mid-1988. The process has been influenced by several factors.

First, the size of the overall market has exceeded all forecasts; and the company is expecting market-share growth from a succession of new-generation model launches due between 1989 to 1992.

Second, the weight of demand in the European market has moved with surprising speed to smaller cars, represented in the Ford range by the Fiesta and the Escort. From 1979 to 1987 the supermini segment's share of the total market climbed from 21 to 33 per cent, while the share of cars in the Sierra size class shrank from 25 to 20 per cent. In the small car market, Ford will unveil its new generation Fiesta next month after five years of development; and the new Escort will be launched in the autumn of 1990.

Ford of Europe's strategy for the 1990s thus includes:

● Increasing capacity at four of its six European assembly plants, Genk (Sierra), Valencia (Fiesta and Escort), Halewood (Escort) and Cologne (Fiesta) with an effective total increase of around 10 per cent by mid-1990 and as much as 13-15 per cent by 1992-93, depending on whether demand would justify triple-shift working at a second location, such as Valencia.

● The unsatisfactory level of Dagenham productivity is to be directly addressed by reducing it to production of a single model, the Fiesta. For Dagenham the move must be seen as a final public warning.

Removal of the Sierra – the operation will be completed in August 1990 – will more than halve the complexity of the Dagenham assembly operation. The present Fiesta and Sierra assembly-mix demands the use of 6,850 different parts, while the number of parts for the assembly of the new Fiesta alone will be reduced to 3,030.

Ford intends to keep the same capacity level at Dagenham for the Fiesta alone, 1,104 a day, that it previously had for the Fiesta and Sierra combined. The removal of the Sierra will none the less mean the loss of 650 jobs, because of the lower level of complexity in the Fiesta production process. For years Dagenham has failed to meet its scheduled targets, now its future is on the line. The workforce has been told that it must change if it is "to continue as a viable manufacturing site." Mr Hayden is due to meet the UK's national Ford unions tomorrow to discuss their opposition to the Sierra move.

● Sierra production will be concentrated at Genk, with a radical change in labour practices at the Belgian plant involving three-shift working for the first time at a Ford of Europe assembly plant. Ford already makes widespread use of temporary labour at Genk; it has 2,500 temporary workers in addition to the permanent workforce of 8,950 hourly-paid workers.

● Genk is to be geared up to become the single European production source for the new car code-named CDW 27, which will replace both the European Sierra and the North American Tempo/Mercury Topaz from 1992. The CDW27 represents Ford's first attempt at a radical new form of world car engineering. Ford regions have previously operated as autonomous fiefs. The company tried in the late 1970s, with the last Escort, to engineer a world car, but in fact the European and North American Escorts ended up different in virtually every respect. "The spelling is the same," says a rueful Mr Allan Gilmour, Ford's executive vice president for international automotive operations.

The CDW27 is a new departure, however. One region – in this case Europe – has been given the responsibility for leading the design and engineering of a new car to suit both the European and North American markets. The cars could still have superficial differences in appearance and tuning to suit market preferences, but Mr Gilmour insists that "the basic engineering job will only be done once."

To support the revolution Ford has created a $77m global communications network of computers to unite its 20,000 engineers and designers in Europe, North and South America, Australia and the Far East.

The challenge is stark. Ford must already make up lost ground on its rivals. In 1987 it dropped from third to fourth place in the West European car sales league, overtaken by a resurgent Peugeot, and last year it was the only one of the big six volume car makers in Europe to suffer a decline in sales volume – by an estimated 1.2 per cent – in an otherwise booming European market. Its European market share fell to 11.3 per cent from 12 per cent in 1987.

As the competition from its rivals intensifies, Ford's success in the 1990s will depend most of all on the appeal of its new model programme (beginning this spring with the launch of the new Fiesta) and on its ability in the early 1990s to replace uncompetitive parts of its engine and transmission range (particularly the power units for its top of the range Scorpio/Granada). It is making significant progress in reducing costs – near-record profits in the last two years testify to that – but its competitors are hardly standing still.

OBSERVER

Easy come, easy go

■ There are many countries where the resignation through scandal of a Cabinet member, particularly one bearing the imposing title of director of the economic planning agency, would automatically put the cat among the pigeons. And the departure from this post in Japan of Ken Harada yesterday is important, in that the Prime Minister, Noboru Takeshita, hardly needs further horrors on the Recruit Cosmos front. Yet it should be put in perspective.

There are few more disposable commodities in Japan than a Cabinet minister. Some endure; Shintaro Abe did four years as Foreign Minister in this decade, as did Kiichi Miyazawa at Finance, before he, too, was undone by Recruit. But, for the most part, ministers come and go with great regularity for the simple reason that membership of that august body, while occasionally a recognition of actual merit, is more often a straightforward political perk.

Every year the Cabinet is reshuffled, with portfolios artfully divided among the factions which make up the ruling Liberal Democratic Party. In the eight years he was Prime Minister, from 1964-72, it was reckoned that Eisaku Sato managed to elevate to the Cabinet nearly half the 200-300 sitting LDP MPs of the time.

An astute Japanese bureaucrat, who, naturally, does not like politicians, recently gave the following rating system. There were five categories of MP, he said: those who might aspire to be Speaker, who were very smart; those who might sit in the Cabinet more than once, who were pretty good; those who would get just one turn, who were average; those who would not even get that reward, who were truly awful; and finally those who might make Prime Minister, who were something else entirely.

City record

■ The City of London cannot afford to be too smug about the scandals which have erupted in other financial centres, notably Paris, Tokyo and New York. Its own catalogue of alleged wrongdoing must be running at record levels.

So far as official inquiries are concerned, there are at least seven big ones at the moment, involving the Department of Trade and the Serious Fraud Office. They include Guinness (DTI and SFO), Barlow Clowes (DTI and SFO), Equiticorp (SFO) and County NatWest (two DTI inquiries). Many smaller ones have also been announced, and there are those by the DTI and the police which never become public.

Some idea of the size of the iceberg below the surface comes from the fact that the SFO is currently investigating no fewer than 50 cases. Since the office only takes on cases involving sums of more than £1m, there is not much for the City to feel smug about.

The explanation turned out to be that the Prime Minister was unveiling a statue of former President Eisenhower when the White House tried to get through. There was what a Downing Street spokesman called "a friendly 10-minute chat" later in the day.

Still special

■ For a few hours on Monday it appeared that the warm personal relationship between Ronald Reagan and Margaret Thatcher was being abandoned by the new US President. George Bush spent part of his first working day in the White House telephoning world leaders who had sent him their best wishes – starting with the Italian Prime Minister and the West German Chancellor, but no Thatcher.

Why not? Marlin Fitzwater, who is staying on as presidential spokesman under Bush, said that there might have been "a busy signal in London. I don't know."

Pretty numbers

■ A small book of cartoons called The Annual Report will shortly be landing on a number of finance directors' desks. The work of the newly-established Financial Design Consultancy, it is meant to show that design matters, even when it comes to reporting company results.

Michael Mattinson, who set it up, says that he is "nearly 29." He had a spell with the Haggie Company, which works in financial public relations, with City and Commercial and, before that, spent four years in the advertising department of NatWest. The aim of the new company, which will work closely with Haggie, he says, is to persuade finance directors and company chairmen that all they have to do is to speak to him about what they want to say in their reports, and he will look after the design. He is employing four design consultants and hopes to move on to advising on corporate identity.

Master Skinner

■ The Hansard of Dennis Skinner's three hour speech – including interruptions – in the House of Commons last Friday has arrived and, apart from being an uproarious read, explains the secret of Skinner's success.

The very left-wing Labour MP for Bolsover explained that when he worked in the pits he read the Mines and Quarries Act 1954 to outwit the management. "When I became a Member, I thought that, after 21 years, that was the end of it – but then I discovered that I would need a new way of weaving and dodging, and I came across Erskine May. The Mines and Quarries Act 1954 and Erskine May are about the same."

His reading of Erskine May, the bible of parliamentary procedure, was masterly and he may have demonstrated that there is no reason why an MP is obliged to resign his seat on becoming a European Commissioner. Sir Leon Brittan and Bruce Millan could still be in the House.

Time warp

■ Sign of the times: at the memorial service for Humphrey Brooke, one time Secretary of the Royal Academy, at St James's Piccadilly yesterday, one very old lady was heard to remark to another: "Look who's coming up the aisle. It's the Chancellor of the Exchequer." But it was not Nigel Lawson. It was Lord Thorneycroft, who resigned as Chancellor in 1958.

Bridget Bloom reports on the difficulties crowding in on Britain's ministry of agriculture

Hard times for farmers' friend

The collapse of Mr John MacGregor, Britain's agriculture minister, at a European Community farm ministers meeting in Brussels on Monday is only the most dramatic evidence of the pressures to which the ministry, and its minister, have been subjected over the last few weeks.

Mr MacGregor was said yesterday to be recovering. Although he did not attend yesterday's special debate on the future of his ministry and the proposed final meeting today of the parliamentary Agriculture Select Committee on the egg crisis has been postponed, he is expected to be back at work shortly.

But just to list what Mr MacGregor expected to be doing over three days, in addition to his normal ministerial, parliamentary and constituency work, is to illustrate graphically the embattled state of the ministry.

From its normally quiet backwater on the outer reaches of Whitehall, the ministry has been dragged into the political limelight since late November with scarcely a day when it has not made front-page news. Its presence there has centred on the egg affair: public concern over a new strain of salmonella erupted into a major political crisis when Mrs Edwina Currie, then junior minister of health, declared on December 3 that most of Britain's egg production was infected with salmonella, thereby suggesting that most eggs were infected, too.

It has been said that the *ministry is a wartime* anachronism that ought *to be abolished*

The crisis not only provoked Mrs Currie's resignation but a multi-million pound government rescue package (since proved to be under-subscribed) for the egg industry. It has continued to reverberate as new threats to public health, like listeria in food, have emerged into public scrutiny. Since Christmas, controversy has raged over whether or not Britain's consumers are adequately protected, drawing in its wake calls both for the resignation of Mr MacGregor and for the abolition or dismemberment of his ministry.

Mr MacGregor already had a well-established reputation as a workaholic – if also as an approachable and likeable man. He has continued not only to try to cope with the crisis but to attend to more normal business too. Thus, just before Christmas, he led Britain's delegation in separate negotiations on farm and fisheries policies in Brussels as well as attending the mid-term review of the General Agreement on Tariffs and Trade Uruguay Round meetings in Montreal. (Such a lengthy absence of the rather emollient minister may partly explain why the crisis got out of hand in the first place.)

It is never easy, in the height of a political crisis, to disentangle fact from emotion: this is especially the case with the current furore, since food, a highly emotional issue in which everyone has an interest, is its focus.

Doubts currently revolve around whether the Ministry of Agriculture, Fisheries and Food – to give it its full title – is doing a proper job in protecting the nation's food. There are fears that there is a conflict of interest within the ministry arising from its role as both sponsor of the farmers and the food industry and the regulator of both.

It is alleged, specifically, that the ministry favours the producer over the consumer and that, in the specific example of salmonella, this has made it slow to react to threats to food safety.

There is certainly justification for a charge of laxness, of reaction to the threat from salmonella poisoning. Although salmonella enteriditis was realised to be a danger in late 1987, discussions with the industry on a code of practice for poultry producers and feed manufacturers did not start until June and the codes themselves were only published after the crisis had erupted in December. Additionally there have been no prosecutions of offending companies

However, it is less easy to attribute this laxness to one specific cause. Rather, perhaps, it is the whole aura and ethos of the century-old ministry which seems to ensure that it is usually two or three steps behind.

Charges have been laid, for example, that MAFF is a wartime anachronism, nurtured in the days when farmers had to be encouraged to dig for victory, and that it ought to be abolished on that account now.

Those days, of course, have long since gone. For the last 15 years, following Britain's entry to the EC, most policy decisions have been made in Brussels. Much official time – many would say too much – has been spent myopically in the devilish detail of common agricultural policy commodity regimes. Most recently this has involved trying to tailor CAP regimes to reducing the huge EC food mountains and bringing community spending under control.

As for the charge that ministers have been in the farmers' pockets: there undoubtedly has been a close and, in the past, cosy relationship between farm ministers and organisations like the National Farmers Union – though the days are long gone, too, when the minister and the NFU President got together over a gin and tonic to fix farmers' prices for the next harvest.

There is, however, the factor of isolation from the mainstream of British politics which seems curiously to have reinforced relations between the ministry and farmers. Until very recently, agricultural issues excited neither much public nor political interest. "Eyes would glass over at dinner tables when you mentioned agriculture," a former junior minister admitted a few months ago, noting that when he was given another job in a more "central" ministry he was welcomed "back to the real world, old boy" by colleagues.

At the bottom of today's debate is perhaps the fact that agriculture is beginning to re-enter the "real world" with a vengeance. Farming itself is changing, as governments throughout the Community grapple with the notion that instead of needing to grow more, the problem may be the reverse, with as much as a quarter of Britain's land no longer needed for farming. This nascent revolution in agriculture prompted Mr MacGregor recently to warn farmers that they must increasingly be able to compete in a "realistic" market, find something else to produce, or go under. These were harsh words from the man many commentators have dubbed in recent weeks the farmers' friend.

As for food production, new technology and changing consumer habits have made possible large-scale production of fast foods. (This often puts the farmer, as producer only of the raw material, as much at the mercy of the food processors and manufacturers as the consumer may be.)

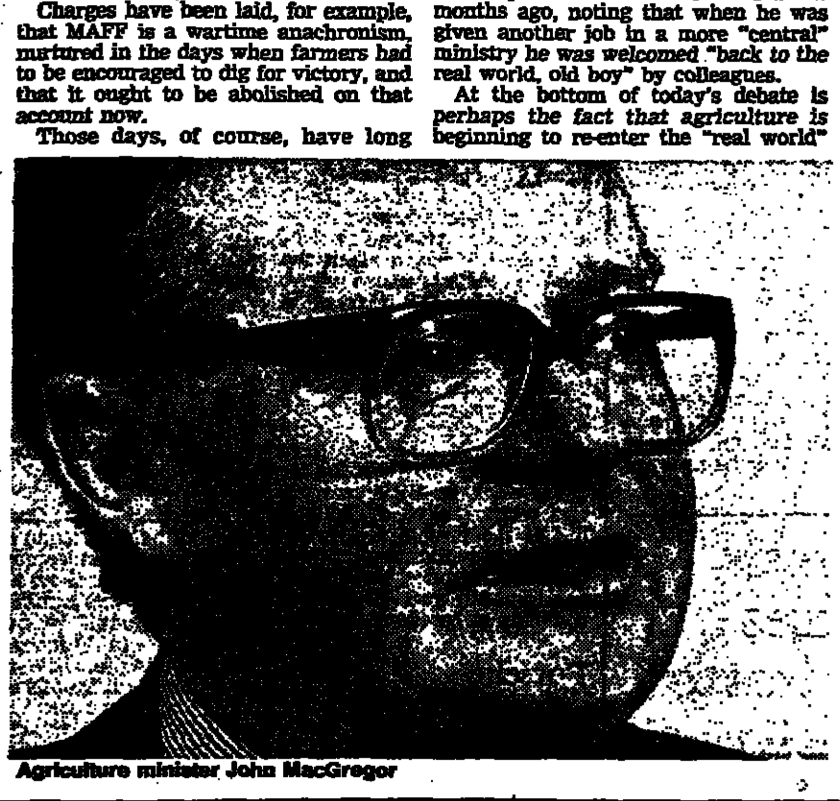
It is this revolution in both farming and food production which raises legitimate doubts about MAFF as the appropriate ministry for their regulation, although there is no unanimity on what should be put in its place.

Both the National Consumer Council and the Institution of Environmental Health Officers called in evidence to the Agriculture Committee for an end to MAFF's responsibility for food, which is currently shared with the Ministry of Health. Sir Richard Body, former chairman of the Select Committee and a noted opponent of intensive farming, has insisted that the best solution would be the creation of a Department of Food and Health since "as the quality of our food is a major determinant of our health, to put the two together would be a rational move."

Other recent suggestions have included the abolition of MAFF, with food and health standards being hived off to the Department of Health and responsibility for the farmers and fishermen moving to the industry department. Another idea is the creation of a new consumer affairs ministry, which would have in it, or alongside it, something like the US Food and Drug Administration, an independent but government-funded watchdog for both food and medical safety.

There is another possibility, discussed long before the present crisis, which could complement such a body: a ministry of rural affairs. This would sensibly encompass the whole of the rural economy, including not only the farmers and their important environmental and production role, but also the growing importance of non-agricultural rural enterprises being made possible by the revolution in information technology. Such a ministry might make a stab at controlling the interface between a freer market economy, which the government is already encouraging in the countryside, and the need for planning to make sure that there is some real countryside left for an increasingly leisured population to enjoy.

There is thus much logic in the argument that MAFF has outlived its time. However, it may be quite some time before it goes, if only because the present government is not one that believes problems can be solved by tinkering with administrative structures, or even abolishing them altogether.



Agriculture minister John MacGregor

Inheritance tax

The gap between rich and poor grows wider

By Cedric Sandford

As the Treasury begins work on this year's UK Budget, it is apposite to reflect on a highly significant feature of the 1988 Budget, overshadowed at the time by the more dramatic income tax changes – the modifications to Inheritance Tax.

This tax was extensively changed in the 1988 Budget. A uniform 40 per cent tax was substituted for a structure of four bands with a top rate of 60 per cent. Inheritors of a £2m estate were made £343,000 better off "at a stroke" and the Chancellor, Mr Nigel Lawson, violated the convention that any change in death duties should be by modest incremental steps.

The reason for this convention is clear. Death duties generally fall on an estate once in a generation, at a rate reflecting this infrequency. Increasing by 50 per cent the net of tax inheritance in the top band contravenes expectations and creates major inequity between the heirs of those who died before the Budget and those who died after. The change was more remarkable in that, until 1986, the Tories had followed the conventional approach, whittling away at the old Capital Transfer Tax with every budget.

These changes also raise the question of graduation – or progression – in the tax system. In the strict sense, Mr Lawson's Inheritance Tax may be said to remain progressive. A progressive tax is one that rises as income or wealth increases – the larger the estate, the larger the tax. Because of a threshold, the average rate of tax on estates not benefiting from any relief rises as the size of estate increases, but at a diminishing rate. However, the existence of agricultural and business reliefs may change this. The value of agricultural land and buildings owned and occupied by the transferor, and the value of a sole proprietor's business or partner's interest or a controlling shareholding, is reduced by 50 per cent for tax purposes (making the effective rate 20 per cent). As these are assets which figure more prominently in larger estates, the reliefs may reduce or more than offset the remaining limited progressiveness of the tax.

Mr Lawson justified his reductions in Inheritance Tax on the grounds that they favour enterprise – a disputable interpretation.

It is argued that an important incentive to enterprise is the desire to hand on a business to one's children. Yet many successful entrepreneurs do not have children or have children uninterested in the business. The incentive of these entrepreneurs does not appear to be impaired.

A second argument concerns heavy death duties. In so far as the business is a public company, or is large enough to go public, it is largely insulated from death duty payment by the heirs of its former major shareholder. In relation to smaller companies it is worth quoting the Bolton Committee on small firms: "We are not convinced that the economy necessarily benefits from the retention of control of a business inside a single family . . . it should not be assumed that the children of a successful entrepreneur will necessarily inherit his acumen and energy. Certainly we should not equate a change in management with extinction of the firm."

Putting a business on the market on the death of the person who was its mainspring should appeal to a market-oriented party. There is a market presumption that whoever pays the highest price is the one best able to put the business to the most efficient use.

Finally, the more an heir expects to receive or actually receives, the less the incentive to "get on his (or her) bike."

The changes in Inheritance Tax in the 1988 Budget are the culmination of a process which has been going on since before 1979. It was Denis Healey, the Labour Chancellor, who introduced tax-free transfers between husband and wife in his Capital Transfer Tax, as well as allowing agricultural and business reliefs.

The recent Organisation for Economic Co-operation and Development publication on capital taxes* presents a 20-year view of the UK in relation to 23 OECD countries. For almost all countries, the period since 1965 has been characterised by growth in public spending and a rise in taxation as a proportion of gross domestic product (GDP). However, there has been a general decline in the revenue significance of capital taxes. About half the countries have annual net wealth taxes on individuals; if we take together the revenue from these and from capital transfer taxes, the average (unweighted) contribution they make to the revenue of OECD countries fell from 1.61 per cent in 1965 to 0.66 per cent in 1985; as a proportion of GDP at market prices it fell from 0.42 to 0.26 per cent. By both measures, the reduction in the UK has been much more than this.

In 1965, the UK was second only to Switzerland (with a quite untypical tax structure) in the revenue from capital transfer taxes as a proportion of GDP; in 1985 the UK ranked 11 out of 23 – below the OECD average. Moreover, these figures underestimate the change. They take no account of the abolition of the investment income surcharge, the nearest equivalent in the UK to an annual wealth tax. In addition, developments since 1985 have yet to show up in the statistics – the 1987 Budget cut the rate scale from seven bands to four and 1988 saw the introduction of Inheritance Tax, with lifetime transfers between individuals made tax-free unless within seven years of death.

It is widely recognised that the policy measures of the Conservative Government have widened the income gap between the rich and the poor. Bigger income inequalities will generate increased inequalities in wealth. Conservative policy on death duties will accentuate this movement and ensure that the inequalities extend to later generations. And in the longer run, last year's changes in death and gift taxes may prove no less significant than the income tax changes.

* *Taxation of New Wealth, Capital Transfers and Capitals Gains of Individuals, OECD, Paris, 1988.*

The author is Professor Emeritus of the University of Bath.

LETTERS

Less forgiving

From Mr Richard L. Huber.

Sir, I read with considerable amazement the article entitled "There is no Alternative to Forgiveness" by Robin Monro-Davies (January 5). My amazement increased when I read the more factual articles on the debt of less developed countries in your January 11 and 12 editions by Stephen Fidler.

While Mr Fidler does not have as cute a turn of phrase as Mr Monro-Davies (I particularly liked the use of Sherlock Holmes), he does point out the numerous successes of the present "muddling through" approach which totally belie the Holmes allusion "if all suggestions as to how LDCs should service their debt have been rejected . . . " we must inevitably reach the conclusion that debt forgiveness is the only alternative.

Mr Fidler points out the exceptional performance of Chile, which has not only reduced its external debt by 28 per cent, with the lowest inflation rate on the continent, but has been able to transfer many state-owned, terribly inefficient white elephant enterprises to the private sector where dramatic improvements in productivity have been achieved.

Conversely, the unwillingness of most of the countries to have the political courage to permit their bloated state enterprises to be sold to the private sector has limited the effectiveness of the debt/equity swap programmes of countries such as Brazil and Mexico.

Obviously it is hard for creditors to be pleased by Mr Monro-Davies' suggestions happily to embrace the idea of forgiving debts of countries which have been unwilling to even entertain debt/equity swaps at all, or, if such programmes exist, they are designed to be totally unworkable. In essence, the holders of IOUs from LDCs are told that it is unreasonable for them to want to collect them or, at the very least, be able to convert these claims into assets in the debtor countries, many times the same assets that were financed by the original loans.

Finally, Mr Monro-Davies ignores the fact that most of the debtor countries maintain policies so hostile to private capital and market-oriented forces that their own residents have squirrelled away abroad hard currency assets which, in the case of several countries, are estimated to equal the amounts of the total foreign debt of these countries.

In summary, before following Mr Monro-Davies' facile conclusion that "there is no alternative to forgiveness", your readers would be better directed to Mr Fidler's less colourful survey of the successes of the pragmatic approach which has been in effect for the last few years. Debtor countries might be more inclined to implement the well-known measures which a few have already begun with such success if observers such as Mr Monro-Davies, some academics and headline-seeking politicians would stop preaching the siren song of debt forgiveness, and instead focus on the fundamental steps needed to restructure and modernise LDC economies.

Richard L. Huber,
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USA*

Picking up the bill

From Mr Thomas Kenny.

Sir, Day by day, bids hostile and agreed are announced.

In any bid, accountants, lawyers, merchant banks, printers and others are employed, all at tremendous cost.

It would be my suggestion that the costs of failed hostile bids should be paid by the failed bidder. That is an invitation to slap up costs, but per contra it stops unwelcome bids.

I speak with some experience as the former chairman of Rubberoid. There were two bids; one hostile, one recommended. I know of other cases where millions of pounds have been spent in successfully defending a situation. None of these costs are tax deductible.

We need legislation or a directive from the Stock Exchange that if hostile bids fail, the bidder should pay all the costs. These are easily evaluated, but what is not capable of valuation is the waste of management time and the disruption of management morale.

Lots of chairmen have said to me that they are prepared to support my proposal, but the next question is who is going to implement a discipline on the lines of that proposal?

Thomas Kenny,
*Brettenham House,
Lancaster Place, WC2*

Predictable

From Mr George Boak.

Sir, If Michael Skapinker's summary (January 13) of the Ashbridge survey of attitudes to the definition of management competences is accurate, some organisations are reacting to the Management Charter Initiative in predictable ways.

Everyone with experience of management training or development will have encountered the two stock negative responses to their suggestions of changed and improved practices. These are: "This won't work in our organisation because it's different from any other," or "we're already doing what you suggest anyway."

It was interesting to see both of these old chestnuts so well represented.

George Boak,
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In-house independence

From Mr Ronald V. Cowles.

Sir, I welcome the conclusions in Mr Hermann's article on in-house lawyers (January 16). However I regret his references to "staff" and "independent" lawyers, which tend to perpetuate the misconception that in-house lawyers are less independent than those in private practice.

I am a former chairman of the Law Society's commerce and industry group, and spent the great part of my professional life as an in-house lawyer, including 15 years as head of the British Coal Corporation's legal department. At no time did I experience any difficulty in detaching myself from the collective decision making to which Mr Hermann alludes; nor did I shrink from giving objective advice to the chief executive.

Most other in-house lawyers with whom I discussed such issues took the same view. An in-house lawyer who fails to maintain his independence certainly does no service to his client.

Heading a department of 90 lawyers, it was rarely necessary for me to bring in external lawyers. Few in-house lawyers have that capability in terms of numbers or range of expertise. In most cases in-house and external lawyers work together; and that co-operation can be satisfactory only if it is founded on mutual respect.

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Getting the numbers right

From Mr John V.C. Butcher.

Sir, Your report of the recent Treasury review of Government statistics (January 13) says that the Central Statistical Office and the Department of Trade and Industry's Business Statistics Office may be merged. But will the recommendations in the report solve the problem of the "dreadful" state of UK statistics, which you quoted?

What is surely needed is the independent scrutiny of official statistics to ensure that if the bases used, the inputs or the published information, are invalid, this situation is published. The national accounts are vetted by the highly regarded National Audit Office which reports to the Commons Public Accounts Committee. Its functions should be extended to cover official statistics.

Without independent scrutiny, it is impossible for the government to resist the charges that the figures have been massaged. With the realisation that errors will be published, the minds of official statisticians are likely to be concentrated on avoiding them.

Official statistics are crucial for much public-sector and private-sector planning, so they must be reliable. Sometimes, as with the Retail Prices Index, real money is involved if the statistics are wrong. The House of Commons should extend its scrutiny of government to cover official statistics, in which there is a pressing need to restore public confidence.

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FINANCIAL TIMES
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De Mita-Montanelli show rolls on and on

Alan Friedman examines the row between Italy's PM and the editor of Il Giornale

IN THE hurly-burly world of the Italian media the average duration of a *caso nazionale*, or nationally publicised scandal, tends to range between 72 hours and a week.

So well inured to political and financial scandals are the readers of Italian newspapers that it takes a mighty big issue to concentrate the mind.

The recent example of an Italian health minister writing a letter to 20m households telling them that condoms are not safe and urging them to practice chastity in order to avoid AIDS, dominated the front pages for a day or two. Arms and drugs scandals can last a bit longer, however – in some cases even a few weeks.

It is unusual therefore that the accusations and counter-claims, lawsuits, threats and verbal missiles that have been lobbed back and forth between Mr Ciriaco De Mita, Prime Minister, and the editor of a Milan newspaper, should be enjoying a multi-month run in the media.

This is a particularly Italian story and it stars the 80-year-old Mr Indro Montanelli, an iconoclast if ever there was one, and the man who, as editor of Il Giornale, finds himself in open conflict with the Christian Democrat Premier.

Ten days ago, one of Mr Montanelli's reporters – the Rome-based Mr Paolo Lignori – woke up to find three *carabinieri* at his front door with a search warrant and a judicial letter informing him that he was being investigated for alleged links with the Red Brigades terrorist organisation.

Viewed in isolation, the case would not seem of such importance but the journalist in question had been stirring up national headlines before Christmas by writing of alleged ties between Mr De Mita's family shareholding in a bank near Naples and billions of lire of embezzled funds that were supposed to have been used to rebuild earthquake-ravaged villages not far from the Premier's home town of Nusco, in the Mafia-filled mountains of Irpinia.

The reporting gave rise to what the Italian media rapidly dubbed "Irpiniagate". It also placed Mr De Mita in some difficulty, given that the fires were soon being stoked by members of his own Christian Democrat party who would like to enfeeble him and take away his leadership of the party. Mr De Mita issued the strongest possible denials.

But the case did not go away within 72 hours. It began to grow, and grow.

Irpiniagate was not the first occasion on which the respected Mr Montanelli found himself at loggerheads with Mr De Mita. Earlier last autumn the newspaper editor had written a front-page column in which he had compared the Premier to a *padrino*, or godfather.

The Prime Minister reacted with a libel suit. Yesterday, an unrepentant Mr Montanelli was in the dock in Monza standing trial. "I see nothing wrong with calling him a godfather. I and other journalists have used the terms 'godfather' or 'boss' to describe numerous Italian politicians," he said.

Like most Italian scandals, Irpiniagate did not depend upon any concrete proof. It is enough to air an accusation in the Italian media: a public trial then takes place in the press and the public makes up its own mind years before the case ever reaches a courtroom.

But Mr De Mita has a few zealots working for him, and one of them, an under-secretary in the Premier's office, began spreading the word that the Irpiniagate scandal was the work of agents in the Italian secret services wanting to destroy Mr De Mita's reputation.

Others suggested that Licio Gelli, the legendary head of the P-2 masonic lodge who is now living in luxurious freedom in Tuscany, was behind the Irpinia leaks. And the Prime Minister himself made a serious error by suggesting that some of Mr Montanelli's journalists had taken bribes from his enemies.

Indro Montanelli is certainly not a bribe-taker. The author of numerous books on Italy, he is a curmudgeon to some, a right-winger to others, a brilliant satirist to many, and one of the few truly independent editors in Italian journalism to almost everyone in the profession.

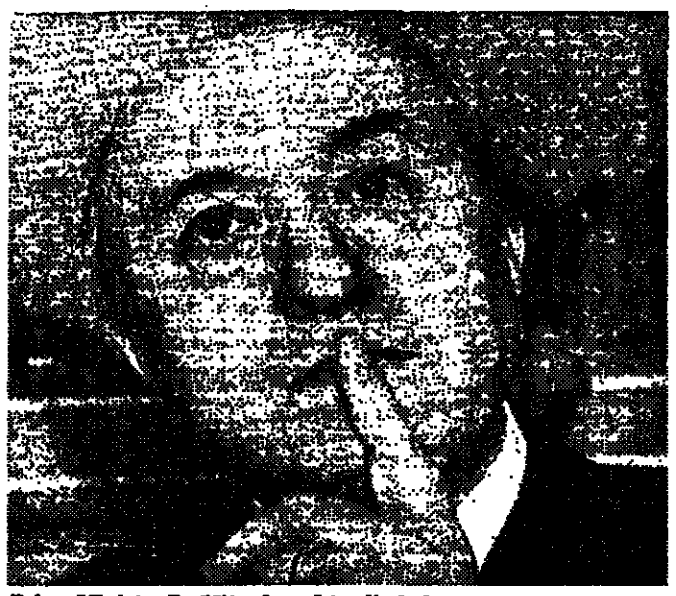
He responded by demanding that Mr De Mita name names. This the Premier did not do. Instead, he climbed down and the aide who had linked it all to the secret services was forced to hand in his resignation.

The Montanelli story erupted again on New Year's Eve when it became known that he had been banned from appearing on a fairly uninteresting Sunday chat show on the Christian Democrat-controlled first channel of RAI television. The implication was that another zealot, this time seeking to please the Prime Minister, had cancelled Mr Montanelli's appearance.

It is against this background that the dawn raid on one of Mr Montanelli's star journalists – the author of the Irpiniagate scandal – must be seen. Last Sunday, Mr Montanelli defended his reporter in a front-page statement, refuting the accusation of "association with an armed band" and saying that the only band he knew Mr Ligneri to be associated with was the one that occasionally tosses rotten eggs from the upper balconies of the opera. The defence is doubly significant, because Mr Montanelli himself once survived a Red Brigades shooting.

He pointed out the strange coincidence of events in recent months which have followed the Irpiniagate scandal: first, the bribery accusations from Mr De Mita, then his banning from a Christian Democrat television network, and now the curious charges against his Rome reporter.

As he wrote in another article: "Agatha Cristie, who knew of such things, once made Inspector Poirot say that one coincidence is only one coincidence, two are merely two, but three coincidences are a clue."



Prime Minister De Mita: forced to climb down

Peking raises bank interest rates

By Colina MacDougall in London

FOR THE second time in four months, China's central bank, the People's Bank of China, has raised interest rates in a move to quell inflation and tempt the consumers' cash back into the banks.

While this seems likely to be too little, too late, it marks a new step in the reform leadership's efforts to use indirect levers such as monetary controls to master the economy.

From February 1 interest on one-year deposits will rise from the current 8.64 per cent to 11.34 per cent, on five-year deposits from 10.8 per cent to 14.94 per cent, and on eight-year deposits from 12.41 per cent to 17.64 per cent. Two and three-year deposit rates will also rise. However, even the highest rate is still less than the 18.5 per cent rise in China's retail price index last year.

Remarkably also, though interest on one-year bank loans is to rise from 9 per cent to 11.34 per cent (the only loan figure so far published), this is still less than the higher rates available on the longer-term deposits. Thus it is still possible to make money by depositing borrowed cash back in the banks. Nominally, a surcharge (to rise from the current 20 per cent to 30 per cent) is applied to expired loans, but the bank's lack of teeth mean this is rarely applied.

Furthermore, sectors such as agriculture and export industries will be excepted from the new rates, while projects earmarked by the central Government as high priority will have their interest reduced by up to a fifth.

Further inflation is a real threat, though not the only one, with Yuan 180bn ($48bn) held by consumers as cash in hand. The latest figures for money supply (March 1988) showed a rise of 29 per cent over a year.

The ferocious braking of the economy is also causing problems. "Many branches of the People's Bank have been paralysed by the severe lack of money," writes the Canton-based Asian-Pacific Economic Times in an article reprinted in the China Daily.

"We can already smell the coming stagflation," it declares. "An industrial slump looms large in 1989." In the big industrial centres of Shanghai and Shenyang, enterprises are down to a five-day, or sometimes even a two-day, week, because of fund and other shortages. Factories cannot afford to buy raw materials and department stores have not the cash to restock.

The Agricultural Bank, which finances crop purchase from the peasants, has been forced to pay with promissory notes which it cannot currently redeem. This is certain to reduce enthusiasm for growing grain, already a matter of concern because of this year's disappointing harvest.

Brussels accuses UK tractor industry

By Nick Garnett in London

BRITISH tractor makers and importers have been accused by the European Commission of collating and using information about the British farm machinery market to act uncompetitively.

The complaint has been lodged with the Agricultural Engineers Association whose membership includes most of the 30 tractor makers and importers. These include the three principal North American manufacturers in the UK – Ford New Holland, Massey-Ferguson and Case-IH.

The Commission alleges that the collection and supply of information on UK tractor registrations, which gives an exact breakdown on market shares achieved by each tractor company, is anti-competitive and in breach of the Treaty of Rome's Article 85 on competition.

Information on tractor registrations is fed into a computer exchange run by the association on behalf of tractor suppliers.

The Commission also complains that suppliers have been using the information in a specifically anti-competitive way to help reduce "parallel" imports - low-cost machines brought in by other than normal import channels.

In all, about 22,000 tractors were sold in the UK last year.

The association and the tractor makers, which yesterday seemed bemused by the allegations, have taken legal advice and are due to make a counter-submission to the Commission at the end of this month.

They were not prepared to make a formal comment yesterday. However, it is likely they will say that the UK market is fiercely competitive and that this has been reflected in serious price discounting from time to time which has benefited farmers.

Some tractor makers believe the complaint, the main thrust of which is still unclear, could have widespread implications for other sectors, such as the car industry, where detailed market share figures are exchanged.

The association appears to have been told by the Commission, for example, that it can publish total sales figures for the UK market but it must delay publication by one year.

The Commission said the complaint applied solely to the UK and its tractor market. It would be applied to other European Community tractor markets if it was found that the practices it had discovered in the UK applied elsewhere.

As a sign of goodwill the association has at least temporarily ceased issuing market share figures. That means that neither tractor makers nor outsiders interested in the industry have access to detailed market share figures they have used for many years.

Bonn forecasts lower economic growth

By Haig Simonian in Frankfurt

THE West German Cabinet yesterday added its voice to widespread market forecasts that the country's real economic growth is set to decline to about 2.5 per cent this year from 3.4 per cent in 1988 – the highest level reached in the 1980s.

The projection, contained in the Government's annual economic report for 1989, includes a forecast that inflation will rise to between 2 and 2.5 per cent this year compared with 1.4 per cent in 1988.

The rise in prices, which partly stems from the planned increase in several consumer taxes, was immediately attacked yesterday by the opposition Social Democratic Party (SPD) and the trade union movement. The decision to raise consumer taxes was "the economic policy mistake of 1989", SPD spokesmen said.

The Government had also failed in the battle against mass unemployment, it argued. According to the report, approved by the Cabinet yesterday, the number of those in work is set to rise by 150,000 this year. However, unemployment will still decline only gradually to 2.2m this year.

The report has also drawn some fire from the Government's own ranks, with members of the Christian Democratic Union calling for further action on the environment and for an acceleration of corporate tax cuts, which they say should be brought forward to this year.

Further details of the report will be made public at an offical press conference later today. However, a series of leaks over the past week has indicated the broad lines of policy will include a strong commitment to greater flexibility in working hours – an increasingly controversial issue in Germany on both economic and social grounds.

The Government is emphasising the need for more flexibility in working hours both as a means to fight unemployment and preserve German competitiveness in the European Community after 1992.

Worry over US buyouts

Continued from Page 1

Mr Brady admitted, however, that Federal budget constraints limited the Bush Administration's ability to provide "fundamental relief from double taxation of corporate income."

Mr Greenspan, responding to questions at a House Banking committee, said the bottom line on LBOs was not a simple black or white. Nor could the problem be addressed readily through the tax system. However, he retained "considerable concern over the debt aspects of LBOs."

Mr Greenspan, who recently warned banks to examine the prospects for the performance of their LBO loans, is due to give fuller testimony to the Senate Finance Committee.

Mr Brady, who led a task force investigating the October 1987 stock market crash, said he had a growing fear "that we are headed in the wrong direction when so much of our young talent in the nation's financial resources are aimed at financial engineering while the rest of the world is laying the foundation for the future."

Senator Lloyd Bentsen, the Texas Democrat who chairs the committee, said the explosion of corporate debt was troubling and LBOs had grown tenfold between 1981 and 1987. "But we certainly don't want a cure that is worse than the disease."

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	S	14	57	Malta	F	13	55	Rhodes	F	15	59
Algiers	F	12	54	Edinburgh	C	10	50	Manchester	F	09	48	Rio de J'o	C	35	95
Amsterdam	C	05	41	Faro	S	14	57	Manila	F	32	90	Rome	F	13	55
Athens	F	10	50	Florence	S	10	50	Melbourne	-	-	-	Salzburg	S	03	37
Bahrain	F	16	61	Frankfurt	C	04	39	Mexico City	F	24	75	San Francisco	F	15	59
Bangkok	C	33	91	Funchal	F	17	63	Miami	C	21	70	Seoul	C	03	37
Barcelona	S	12	54	Geneva	C	05	41	Milan	Fg	00	32	Singapore	C	30	86
Beirut	R	15	59	Gibraltar	C	15	59	Montreal	C	06	43	Stockholm	C	05	41
Belfast	S	10	50	Glasgow	C	10	50	Moscow	C	02	36	Strasbourg	F	03	37
Belgrade	D	00	32	Guernsey	C	03	37	Munich	C	-1	30	Sydney	F	25	77
Berlin	F	05	41	Helsinki	F	-1	30	Nairobi	C	24	75	Taipei	G	18	64
Biarritz	S	15	59	H. Kong	G	17	63	Naples	S	12	54	Tangier	S	16	61
Bombay	S	28	82	Innsbruck	S	01	34	Nassau	C	25	78	Tel Aviv	F	14	57
Bordeaux	S	07	45	Inverness	S	11	52	New Delhi	F	21	70	Tenerife	S	20	68
Brussels	C	01	34	Islamabad	F	22	72	New York	F	11	51	Tokyo	F	13	55
Budapest	F	03	38	Istanbul	C	08	46	Nice	S	14	57	Toronto	F	10	50
B. Aires	C	35	95	Jakarta	R	30	86	Nicosia	F	17	63	Tunis	C	15	59
Cairo	F	18	64	Jersey	C	02	36	Oporto	S	09	48	Valencia	S	11	52
Cape Town	S	22	72	Jo'burg	R	24	75	Oslo	C	01	34	Venice	S	08	46
Caracas	C	25	77	Lima	F	25	78	Paris	C	09	48	Vienna	S	04	39
Casablanca	S	16	61	Lisbon	F	15	59	Peking	S	00	32	Warsaw	C	02	36
Chicago	C	10	50	London	C	08	46	Prague	Fg	-3	27	Washington	S	-1	30
Cologne	C	02	36	Los Angeles	R	13	55	Reykjavik	C	02	36	Zurich	G	02	36
Copenhagen	C	07	45	Luxembourg	C	-1	30								
Corfu	S	16	61	Madrid	S	06	43								
Dallas	S	11	52	Majorca	S	15	59								
Dublin	C	10	50	Malaga	C	14	57								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Paris bourse reform plan

Continued from Page 1

his friend Mr Roger-Patrice Pelat.

Mr Bérégovoy is due to lay out his proposals for reinforcing the COB to the finance committee of the National Assembly tomorrow.

The Le Portz committee has been divided on several points relating to the juridical powers of the COB. It is understood that the report recommends that the COB should be given the right to go to court in its own right, but stops short of the "maximalist" demand that the commission should also have power to conduct searches.

Other doubts focus on COB's funding. Its income comes mostly from a 0.02 per cent levy on share issues and public takeover offers and from a 0.0015 per cent levy on the assets of mutual funds, which brought in a total of FFr62m ($10m) in 1987; some senior politicians have argued for a more stable source of financing, including possibly a levy on stock market transactions.

● Swiss authorities yesterday received a formal demand from the US Securities and Exchange Commission (SEC) to block accounts at four Swiss banks in connection with an investigation into insider trading charges in the Pechiney affair, AP reports.

The SEC demand provides a detailed list of reasons for blocking the accounts, including the presumption that criminal laws may have been violated.

The names of those holding the accounts cannot be disclosed under Swiss banking secrecy laws. The banks involved are Union Bank of Switzerland, the Cantonal Bank of Vaud, the Swiss Popular Bank and the Banca Della Svizzera Italiana, the ministry said.

Quake experts attacked

Continued from Page 1

and sand, softened by a sudden thaw after heavy snow, collapsed on to three villages, burying more than 100 homes up to 20 metres deep.

The death toll may be less than the first estimate of 1,000, however, because about a third of the inhabitants heard the landslide coming before it hit their village, Mr Gennady Gerasimov, the Soviet government spokesman, said.

More than 400 homes and a kindergarten for 300 children were destroyed, according to the reports from Tajikistan.

There were also warnings yesterday that the unstable hillsides in the area, 50 kilometres south-west of Dushanbe, the capital of Tajikistan, could move again if there were any aftershocks.

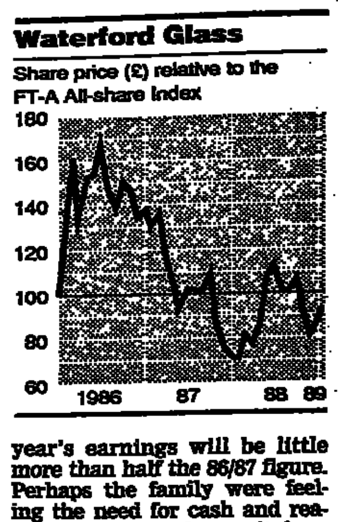
THE LEX COLUMN

Gratifying gloom from the CBI

From the equity market's viewpoint, yesterday's CBI survey findings could scarcely have been better. The retail sector is plunged in gloom, and industry is suffering its first sharp downturn in optimism since the middle of 1986. But while interest rates are assumed to be hurting the consumer, there is no sign of cutbacks in planned capital expenditure, and only modest rises are expected in factory gate prices. The survey has been wrong before: the slump in confidence in mid-1986, for instance, turned out to be groundless. But for what it is worth, the implication is that Mr Lawson's medicine is producing the right combination of a slowdown in inflation and the selective suppression of demand.

Yesterday's rise in the FT-SE to a new post-crash high had less to do with all that than with the Dow, which by London's close was pushing back through the symbolic level of 2,246 from which it staged its October 19 collapse. This in turn seems largely due to the warm glow of the Presidential honeymoon, a spot of fresh optimism about the budget deficit, and some resounding stuff from Mr Greenspan about the need to return to stable prices.

As the London market is well aware, this could quickly evaporate in coming weeks as the real budget haggling starts. The result is a detectable air of nervousness, not helped by the fact that next week's rule changes for market-makers means they can no longer dump stock on their competitors when the wind changes. But if the market looks suddenly unpredictable in both directions at once, at least its participants can no longer complain of boredom.



year's earnings will be little more than half the 86/87 figure. Perhaps the family were feeling the need for cash and reasoned – correctly, as it happens – that the balance sheet could take it.

Waterford Glass

The grand idea was that Waterford crystal and Wedgwood china would help each other on to the best tables all over the world. The reality has been a series of disappointments against which any benefits of the merger have never had a chance to shine. Yesterday's stunner of accounting errors and resigning board directors was the culmination of an unhappy process that started with a fall in the dollar and progressed through every rationalisation mistake in the book. Maybe the new management will put things right, but shareholders who feel foolish to have believed in global place-settings in the first place may not be so trusting now.

This year the company is most unlikely to show a profit, while next year's earnings may be low enough to put the shares on a fairly fancy multiple. Still, as the whole thing is as much about brands as profits, it is remarkable that the company has not already been bid for. The Wedgwood business has if anything improved since Waterford paid £250m for it two years ago, whereas the combined group is now valued at little more than £300m. The absence of any interest so far is a little ominous; perhaps this week's near-15 per cent fall in the share price will make the difference.

Porsche

From the bald figures released by Porsche yesterday it is hard to tell just how badly it fared during one of its toughest years ever; but what seems clear is that this year will be better. While Jaguar has yet to hit the bottom, Porsche was quicker with its cost cutting, with the result that profits are now rising even though demand for luxury cars in the US is nearly as bad as ever.

Despite the company's apparent confidence in the future, its decision to hold the dividend is questionable. On yesterday's numbers the payout is only one and a half times covered, and even on the best possible assumptions, this

Barclays Bank

While Lloyds and Midland may have gained some kudos by being the first major high street banks to introduce interest-bearing current accounts, Barclays and NatWest have always had the most to lose if they bungle their attempts to head off the building societies' attack on their core current account business. The danger for all the banks is that they cannibalise their own deposit base by offering attractive interest rates, yet do not win sufficient new business to offset the costs of the exercise.

Barclays' answer to this conundrum is far more straightforward than Midland's effort, and should appeal to the unsophisticated building society investor who does not want to pay any bank charges. However, in line with the other clearers, Barclays seems remarkably relaxed about the impact on profitability. If the cost really turns out to be less than 5 per cent of its profits, then it is a worthwhile investment; but not even Barclays knows how many of its customers will convert to its interest-bearing accounts, and its decision to scrap all transaction charges could be a hostage to fortune.

Unit Trusts

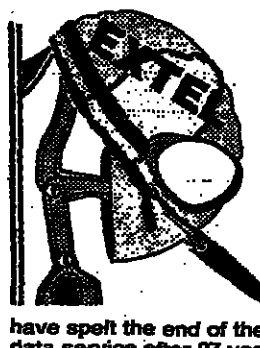
The Unit Trust Association was putting a brave face on its annual figures yesterday, but its optimism is hardly infectious. Net new investment of £1.8bn is still considerably higher than in 1983/84, and sales of £7.7bn are not far short of the 1986 figures. But if insurance company purchases of unit trusts for their life policies are stripped out, the small investor was probably a net seller last year. Meanwhile, the decline in the number of accounts is hardly encouraging given that over 100 new unit trusts were launched in 1988, including some notable debuts from Marks and Spencer, Cazenove and Scottish Amicable.

The UTA has all sorts of excuses for last year's dismal performance; but after more than a dozen years of rising UK equity prices, less than 3m investors have been attracted into unit trusts. This is hardly a stellar performance, and it is clear that apart from a few heady periods, such as early 1987, unit trusts are making little progress in siphoning money away from the building societies. Instead of wasting money on a generic advertising campaign, it would make far more sense for the unit trust industry to realise that it has more to gain from working with the building societies than from trying to compete with them head on.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday January 25 1989

INSIDE

Extel hangs up its racing colours



They're off. But punters in UK betting shops will no longer hold their breathe to the even tones of Extel's commentator, as he relays information on the day's racing. Satellite television pictures of both dog and horse racing, bounced daily into betting shops by Satellite Information Services, have spelt the end of the company's voice and data service after 27 years. Page 30

Growing pains in Europe's capital markets

Europe's capital markets are not prepared for the growth in demand for securities they will face over the next few years and thus risk missing the opportunity to develop to the size of their American and Japanese rivals. That, at least, is the warning issued today by Arthur Andersen, the accounting firm, in a survey ahead of 1992 and the proposed dismantling of European barriers to capital flows. Page 28

Let insider traders beware

The US rules against insider trading, combined with laws against mail and wire fraud and racketeering, have become so tough that those accused can rarely risk going to trial. Tough as they are, however, laws against insider trading on Wall Street have been made even stiffer. New measures, among other things, include much heavier prison sentences and fines for culprits. Page 25

The mouse finds its roar

After a series of ignominious flops the London International Petroleum Exchange's latest attempt to launch a crude oil futures contract has been a roaring success. Steven Butler studies the background and concludes that profound changes within the oil sector itself have been largely responsible for the market's change of fortune. Page 32

Made to pay the Norwegian way

A record level of commercial bankruptcies means business is booming for Forretnings-Forum, one of Norway's leading debt collection companies. Karen Fossli explains how it succeeds in squeezing payments from debtors and the way in which it has snatched business from banks and other credit institutions. Page 26

Wave of hire purchases

Far-reaching changes are taking place in Britain's plant hire industry. There has been a wave of acquisitions and since December three companies have announced they are joining the Unlisted Securities Market. Meanwhile, at the bottom end of the scale, entrepreneurial operators continue to break away from existing companies and set up on their own. Page 29

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Deut. Babcock	158.5	+	4	Exor	1561	+	155
Lufthansa	163	+	8.5	Maison Phenix	98.9	+	8.8
Nixdorf Comps.	344	+	11.8	Metaleurop	101	+	9.4
RWE	248	+	8	O.P. Olipar	429	+	35.7
Viag AG Aktien	253	+	8	Telemechanique	4530	+	453
Falls				**Falls**			
Mannesmann	211	—	.5	Poliet	610	—	21.2
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
IBM	124	+	$1\frac{5}{8}$	Izutsuya	1210	+	110
Kemper Corp.	$26\frac{1}{4}$	+	$1\frac{1}{2}$	Nichireki Chem.	1220	+	120
Radionics	$19\frac{3}{8}$	+	$5\frac{3}{8}$	Renown Look	1240	+	180
Travelers Inv.	$8\frac{1}{8}$	+	$1\frac{1}{8}$	Ricoh	1080	+	101
Falls				**Falls**			
La-Z Boy Chair	$17\frac{5}{8}$	—	$\frac{7}{8}$	Sakura Rubber	1010	—	60
Quaker Oats	$53\frac{3}{4}$	—	$1\frac{1}{8}$	Toriniky Ind.	2200	—	200

New York Prices as at 12.30pm.

LONDON (Pence)				Smith (WH) A	258	+	10
Rises				Sun Alliance	1058	+	24
Aukett Assoc	103	+	10	Taylor Woodrow	648	+	21
Burns-Anderson	100	+	6	Wimpey (G)	291	+	10
Burton	198	+	$9\frac{1}{2}$	Wolseley	275	+	19
Conroy Pet	47	+	7	Woolworth	267	+	10
Dixons	146	+	7	**Falls**			
Gerrard & Nat	280	+	9	B'sey & Hawkes	415	—	60
GUS A	1009	+	14	Br Isle Air	120	—	9
Higgs & Hill	335	+	13	Expamet	177	—	11
Ladbroke	$480\frac{1}{2}$	+	$10\frac{1}{2}$	Hestair	280	—	20
Mowlem (J)	394	+	20	Waterford Glass	65	—	8
P & O Dfd	612	+	15				
RCO Hldgs	137	+	9				
Rosehaugh	555	+	23				

Norsk Data dives into red and sacks 800

By Karen Fossli in Oslo and Alan Cane in London

NORSK Data, the once high-flying Norwegian minicomputer company quoted in Oslo, London and New York, yesterday announced a plunge into losses and drastic plans to return it to profitability, including the shedding of 800 jobs.

It said its 1988 figures would show a pre-tax deficit – the first time it has gone into the red in 16 years – of NKr871m ($130.2m), including a non-recurrent charge of NKr600m for restructuring.

Revenues showed a 3 per cent growth rate at NKr2.9bn. In 1987 it recorded a pre-tax profit of NKr 243m, a decline of 49 per cent on 1986.

The turn-round measures include dismissing 20 per cent of its 4000-strong workforce using industry-standard technology bought in from outside rather than the company's own proprietary computer hardware and software.

The company will also slim down its international operations. Mr Terje Mikalsen, Norsk Data's chairman, yesterday described the situation as "very serious."

The company said that Mr Rolf Skaar, Norsk Data's founding president, had offered to resign over the slide in the group's fortunes but had been asked by the board to stay on to oversee the restructuring.

He broke with tradition by staying in Oslo for the results announcement rather than meeting industry analysts in London or New York.

The plans, which seem to have been drawn up since early December, are designed in the short term to cut costs by NKr400m annually.

The company is blaming softness in the Scandinavian marketplace, the source of 70 per cent of its business, for its problems, but it has also been a victim of dramatic changes in technology now sweeping through the computer industry world-wide.

Despite its previous reputation for innovation and flexibility, analysts say Norsk Data failed to understand the speed at which computer technology has been changing and the new demands computer users have been making for standard systems which free them from dependence on any one manufacturer.

In particular, it failed to move either to systems built from low-cost, high performance standard microprocessors or to systems based on Unix, rapidly becoming the world standard operating software system.

Mr Erik Engebretsen, chief financial officer, said in London that its inability to offer Unix systems had cost it NKr100m in lost government contracts last year. He said the company had been blinded to the new developments by its previous spectacular success.

The restructuring plans include the establishment of a wholly-owned subsidiary, Dolphin Computers, which will build industry standard computers using a fashionable technology called RISC, which is completely different from the company's traditional technology based on the use of semi-conductors.

Mr Engebretsen said the company was still financially sound. Equity to debt ratio stood at 31 per cent with equity capital at NKr1.35bn. Liquid reserves were NKr1.8bn.

Waterford Glass gives warning of accounting errors

By Fiona Thompson in London and Kieran Cooke in Dublin

WATERFORD GLASS, the Irish glass maker, yesterday warned that its 1988 results would be significantly affected by accounting errors in its crystal division. The mistakes have led to the resignation of two board members.

Mr Paddy Hayes, chairman, said yesterday that "the magnitude of the mistakes could not yet be accurately quantified." However, the board now believed the division's performance was "significantly below the level previously expected."

The announcement comes as a further blow to Waterford, which plunged into a pre-tax loss of I£10.2m (£8.4m) in 1987, but had appeared to be on the mend. In London, its shares closed 8p down at 65p last night.

An initial internal study indicated that management accounts had under-estimated production costs and consequently overstated profits. Accountants Peat Marwick McLintock are carrying out an independent review of the financial performance and accounting of the crystal operations in 1988 and, in particular, the valuation of stocks.

Mr Hayes said he had accepted the resignations of Mr Colm O'Connell, chairman of Waterford Crystal, and Mr Anthony Brophy, until recently group finance director. There was no suggestion of wrongdoing on their behalf.

The announcement came as a shock in Dublin, where market analysts suggested that as much as I£10m could be written off Waterford's figures. Analysts had been looking for about I£19m pre-tax profits for 1988, but are now downgrading forecasts.

At the half way stage the pre-tax figure was I£3.5m, down from I£12m.

Before this reorganisation the group had suffered badly from restrictive labour practices in Ireland and a severe drop in US earnings owing to currency fluctuations and a drop in the number of American tourists.

Mr Hayes said the need for a review became apparent in December after Mr Bob Davies, finance director, discovered that the management accounts did not reflect the picture in the crystal manufacturing division.

Waterford's crystal operations were radically restructured, cutting the workforce by a third to 2,100, following the company's £250m acquisition of Wedgwood, the UK china maker, in November 1986. This was thought to have cut unit production costs, but when the cashflow was not as expected, the internal investigation began.

"When Bob came to me with his revelations my reaction was shock," said Mr Hayes. "But we are confident we can rectify things."

Wedgwood accounts for two thirds of group turnover, and crystal one third. Peat will also be reporting on the moves to improve the performance of the crystal operations since the restructuring.

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Succumbing to the highly profitable lure of haute couture: Bernard Arnault, Carlo De Benedetti and Kit McMahon, chairman of Midland Bank

Paris inspires dedicated followers of fashion

Alice Rawsthorn explains why high finance has become increasingly attracted to the world of the catwalk

Ostensibly the worlds of high fashion and high finance are as far apart as can be. Yet last week the two worlds collided when the Midland Bank became a significant shareholder in Lanvin, one of the oldest fashion houses in Paris.

Midland, or rather its French subsidiary, is the latest in a long line of industrial and financial concerns to become involved with Europe's leading fashion houses. It is one of the new generation of investors who regard the frivolous world of high fashion just as they would any other investment.

Mr Bernard Arnault, the dynamic French businessman involved in the tussle over Moët Hennessy-Louis Vuitton (LVMH), owns Christian Dior and Christian Lacroix through Agache, his holding company. Mr Carlo De Benedetti, the powerful Italian industrialist, is a substantial shareholder in Yves St Laurent through Cerus, his French company.

The rationale for such investments is simple. First, fashion houses can be highly profitable. St Laurent is expected to have made net profits of FFr120m ($19.1m) on sales of FFr2.5bn in 1988. When St Laurent goes public early next year, Cerus should make a consolidated capital gain of FFr400m in its 1989 accounts by selling a third of the holding it originally bought for FFr255m two years ago.

Second, a stake in a fashion house offers an entrée to the lucrative worldwide market for luxury goods. The large houses now make more money from licensing their names for products like scents or spectacles than from fashion.

A successful designer, like St Laurent, sells licences for dozens of different products in different markets. It made about FFr2.2bn, of last year's FFr2.5bn turnover from perfume alone. Perfume probably provided FFr300m of its FFr400m operating profits.

Equally, there is a simple rationale for the designers to become involved with industrial and financial investors. Historically, high fashion has been a "cottage industry": characterised by a fragmented structure and tradition of family ownership.

The new generation of investors has introduced professional management, sorely-needed capital and an ability to thrash out tougher deals with licensees.

Lanvin had been floundering for several years before Midland rode to the rescue. Mr Léon Bressler, president of Midland in Paris, perceives the Lanvin name as an "under-exploited asset" and the business as a "turnaround opportunity" which Midland can help by cutting costs and improving controls.

The new investors have not only rescued established houses, they have also helped to create new names. Christian Lacroix is an apt example. He had made his name in the mid-1980s as one of the brightest young designers in Paris while working at the small house of Jean Patou. Two years ago he opened his own house, armed with a £5m investment from Agache.

Agache has paid for everything: from Lacroix's pink and orange salon on the Rue Faubourg St Honoré to the army of skilled seamstresses in his haute couture workrooms. It also looks after all the financial aspects of the business. Lacroix is able to devote all his time to design. At a time when other young designers are still struggling, he already has a string of licences.

Not all the liaisons are as fruitful, however. Mme Grès, one of the oldest Paris houses, has encountered problems with its new Japanese owners. Aguecheek, the London company founded by Mr Peder Bertelson, a Danish oil trader, is struggling. Yet, as Midland's stake in Lanvin illustrates, the investments continue apace.

The mainstream textile industry is also becoming more involved with high fashion. The giant Italian textile groups led the way in the 1970s by encouraging the emerging Milan designers to use their production plants.

The designers, like Giorgio Armani and Gianni Versace, benefited from the availability of modern manufacturing facilities. The textile groups, such as Gruppo GFT and Marzotto, moved into a profitable and prestigious market. Many Paris and London designers now manufacture in Italy.

Steilmann, the West German clothing company, has followed suit by working with designer Karl Lagerfeld. Kashiyama of Japan is involved with Jean-Paul Gaultier in the Far East. Dawson, the Scottish knitwear group, recently added Donna Karan to its list of US licensees.

The most important question now is whether the new wave of investors will weather the storms of high fashion in the long term. Fashion is notoriously fickle. Paris will be popular one season, Milan the next. The fortunes of designers fluctuate.

A more immediate obstacle for the new generation of investors is that, in Paris at least, the best houses are already involved with investors and licensees. As Midland's Mr Bressler said: "It will be a long time before another name like Lanvin comes along."

IBJ warned not to break Japan's rules on trading in securities

By Stefan Wagstyl in Tokyo

INDUSTRIAL Bank of Japan, the leading Japanese bank which last week won membership of the London Stock Exchange, has been warned by the Japanese authorities not to break Japanese rules on the separation of banking and securities business.

The bank, which plans to make markets through a British subsidiary in leading Japanese stocks, has been told by the Ministry of Finance to refrain from accepting orders for Japanese stocks from Japanese clients.

Both the bank and the ministry refused to comment. However, the ministry's move was seen in Tokyo as a sign of the authorities' determination to keep tight control over the gradual erosion of barriers between banking and securities in Japan.

Bankers said IBJ would not have applied for a stock exchange seat for its London securities subsidiary, IBJ International, without the ministry's prior consent. But by warning IBJ to keep away from dealing in Japanese stocks for Japanese clients, the ministry was seen to be maintaining a long-standing policy of allowing financial companies more freedom of operation abroad than at home.

Under the terms of Article 65 of Japan's Securities and Exchange Law, banks are barred from the securities business in Japan. But the finance ministry, which controls how the law is applied, has allowed banks to engage in securities overseas – just as it has allowed leading Japanese securities houses to engage in banking abroad.

However, under the ministry's guidance, banks have so far been restricted, as far as Japanese securities are concerned, to bond and equity warrant markets.

The finance ministry's decision to allow IBJ to take up a stock exchange seat and simultaneously restrict the way it can use it was seen by Japanese bankers as a way of fending off the competing demands of banks for greater access to securities markets and of securities houses for such access to be limited.

The future of Article 65 is under debate inside and outside the finance ministry. Banks argue for its abolition, claiming that a world-wide trend to securitisation has eroded traditional lending business. However, securities houses are keen to defend their privileges.

The banks acknowledge that abolition is unlikely unless the Glass-Steagall Act, which separates banking and securities in the US, is also scrapped. But Japanese bankers hope to win valuable concessions piecemeal.

Porsche expects rise in profits this year

By Andrew Fisher in Ludwigsburg

PORSCHE, the West German sports car maker which has suffered a fall in sales owing to problems in the US, expects much higher profits this financial year, after a further sharp drop in the year to July 31, 1988.

Mr Heinz Branitzki, the chairman, said net profits would be "well above those of the previous year" but did not elaborate. In 1987-88, profits halved to DM25.3m ($13.7m) from DM51.9m the third straight year of decline from the 1984-85 peak of DM120m.

However, Porsche held its dividend at DM11 a share for the quoted preference stock and DM10 for the voting shares owned by the controlling Porsche and Piech families. Mr Walter Gnauert, the finance director, called 1987-88 "one of the most difficult in Porsche's history."

Porsche's troubles stemmed from heavy dependence on the US, where it was hit in 1987 by the lower dollar and the after-effects of that year's stock market crash. In 1987-88, turnover fell by 27 per cent to DM2.5bn.

Having cut output sharply to reduce its high stocks of unsold cars – down from 13,250 to 6,000 cars in calendar 1988 – Porsche has introduced model variations in a bid to win back customers.

For the full financial year, Mr Branitzki expected sales to exceed 32,000 cars. That compares with a drop in 1987-88 to 31,400 from 50,000, with a 51 per cent slide in the US to 15,000.

In spite of a drop in turnover in the first five months from DM1.3bn to DM1.1bn, Mr Branitzki forecast turnover reaching at least DM2.8bn for the full financial year. As well as selling up to 1,000 more cars – a third of the sales total would comprise new models, already sold out for the year – Porsche would benefit from a 40 per cent rise in turnover from outside customers at its Weissach development centre and from cost-cutting.

As for competition in the US from Japanese makers of sports cars like Toyota, Mazda and Nissan, Mr Branitzki said this had to be taken "more than seriously."

INTERNATIONAL COMPANIES AND FINANCE

Demand for new products boosts Merck by 32%

By James Buchan in New York

MERCK, THE world's largest pharmaceuticals group, lifted fourth-quarter net income by 32 per cent thanks to strong demand for its broad range of new drugs.

The fourth-quarter performance, which capped a year in which earnings grew 33 per cent, confirms the success of a string of new drugs emerging from Merck's research effort.

In the course of last year, Merck's big cardiovascular treatment, Vasotec, topped $1bn in sales and Mevacor, its revolutionary cholesterol drug, enjoyed the most successful drug launch ever.

The company, based in Rahway, New Jersey, said earnings in the December quarter rose 32 per cent to $307.3m on a 10 per cent rise in sales to $1.53bn. Earnings per share rose by a quicker 33 per cent to 77 cents, because Merck bought in some shares.

For the full year, earnings advanced 33 per cent to $1.21bn on a 17 per cent rise in sales to $5.94bn. Per-share earnings rose 37 per cent to $3.05.

Dr Roy Vagelos, Merck's chairman, said: "Income growth and improved earnings margins for the year resulted from strong unit volume gains, a better product mix, the continuation of cost controls and productivity improvements, as well as the favourable effect of exchange." Sales increases were flattered by strong currencies overseas where Merck does half its business.

Adjusting for currency fluctuations, sales rose 14 per cent in the fourth quarter compared with a more rapid 23 per cent in the first quarter, 19 per cent in the second quarter and 16 per cent in the third. Merck said early-year sales were boosted by new product launches, particularly Mevacor in late 1987.

In addition to Mevacor and Vasotec, Merck said it enjoyed strong sales of Primaxin, its broad-spectrum antibiotic, Pepcid, an ulcer treatment, and its ivermectin animal-health drug.

DSM issue price set at Fl 108

By Laura Raun in Amsterdam

AN ISSUE price of Fl 108 per share was announced yesterday for DSM, the Dutch chemicals company being partially privatised in a record Fl 1.3bn flotation.

The price was on the low end of forecasts – between Fl 105 and Fl 118 – and apparently designed to stimulate more demand from Dutch institutional investors, who have been dragging their feet. Institutional investors abroad have shown more enthusiasm and understanding of DSM's role in the chemicals industry during a series of roadshows in Europe and the US, according to DSM and Amsterdam-Rotterdam Bank, leader of the international bank syndicate.

They hope to place about half the 12m shares – one-third of DSM – in the Netherlands and the rest abroad. DSM and Amro executives expressed confidence that the flotation would enjoy good demand at the Fl 108 issue price but refused to be drawn on how fully subscribed it appears.

Dutch institutions, including some of Europe's largest pension funds and insurance companies, could play a decisive role in the issue as foreign investors may look to their Dutch counterparts for guidance, according to bankers involved in the issue.

Private investors in the Netherlands will get preferential treatment even though the privatisation – the biggest in Dutch history – is being pitched primarily to professional ones. Individuals will be guaranteed a certain number of shares, with the number depending on how subscriptions materialise.

The issue price reflects a price/earnings ratio of 6.3 and a dividend yield of 4.4 on per-share earnings of Fl 17.14 for 1988. Based on an average forecast of per-share earnings of Fl 20.71 for 1989, the issue price amounts to a p-e of 5.2.

The anxiously awaited issue price took on an exotic note as it was announced by Mr Rudolf de Korte, *Dutch Economics Minister*, via a live satellite link from Brasilia. His announcement followed scintillating shots of undulating *women in Rio de Janeiro*, where the minister was heading a trade mission.

Subscriptions opened yesterday and close February 2. Trading begins on February 6. A second privatisation tranche of DSM is planned for the coming 12 months.

Wall Street firms show contrasting results

By Roderick Oram in New York

TWO MORE leading Wall Street firms have turned in results showing that strong investment banking and other lines of business compensated them last year for weak demand for investments from retail clients.

Morgan Stanley was able to translate the trend into sharply higher profits while Shearson Lehman Hutton's solid underlying performance was hurt by expensive write-offs that left it with slightly lower earnings.

Shearson, majority-owned by American Express, reported full-year net profits of $96m, or 81 cents a share, down from $101m or $1 on a slightly smaller share base. Profits were eroded by $165m of pre-tax expenses from its acquisition of E.F. Hutton last January and a $100m pre-tax write-down of securities in MCorp, the ailing Texas bank.

They were partially offset by a $33m pre-tax gain from the sale of its interest in McLeod Young Weir, a Canadian brokerage house.

Full-year revenues rose to $10.5bn from $6.7bn, reflecting in large part the Hutton acquisition. The group achieved record results in investment banking, market making, principal transactions and investment advisory businesses.

Second-half results were impaired by a narrower interest spread caused by rising short-term interest rates. Nine-month net profits were restated downward by $30m to correct an overstatement of earnings by The Boston Company.The subsidiary's chief executive was fired at the weekend.

For the fourth quarter Shearson reported a net loss of $13m, or 22 cents a share, against a loss of $95m or $1.18. Pre-tax charges in the latest period were $21m for Hutton merger and $70m for MCorp securities. The previous year's loss included a $77m charge from underwriting a British Petroleum issue.

Morgan Stanley reported fourth-quarter net of $108.3m or $4.25 a share, against $31.4m or $1.16 a year earlier on revenues of $1.16bn against $718.3m. Full-year net was $394.6m or $15.39, compared with $230.9m or $8.99, on revenues of $4.11bn against $3.15bn.

Earnings were boosted by the first sales from the company's portfolio of merchant banking investments. But employment and and office expenses rose by 18 per cent to $1.21bn.

It declared a three-for-two stock split in the form of a 50 per cent stock dividend and increased its cash quarterly payout by 35 per cent to 33.75 cents a share on a pre-split basis.

Exxon ends year on a weak note

By James Buchan

EXXON, THE largest US oil company, yesterday reported a decline of 11.2 per cent in *fourth-quarter earnings* because of weak crude oil prices. But an ambitious programme to buy in stock from shareholders cut the drop in earnings per share to just 5 per cent and the company reported overall progress for the year.

The weak fourth-quarter performance, which cut earnings *from $1.55bn or $1.12 a share to* $1.38bn or $1.06 was largely due to weak prices for the 1.8m barrels a day produced by Exxon. But the group profited from low crude costs in its refining and marketing operation, where extremely strong demand for gasoline and other *petroleum products in the US* sent profits soaring.

Earnings from refining and marketing rose 50 per cent to $555m, while chemicals profits *doubled to $343m. Better copper* prices turned Exxon's relatively small minerals operation into profit.

Sales revenues were essentially unchanged at $22.02bn.

Exxon's strong downstream performance allowed it to report a respectable 8.7 per cent profits gain for the year to $5.26bn. US refining and marketing profits grew 20-fold to $669m and the domestic chemicals business doubled its *contribution to $746m.*

In contrast, the upstream US operations saw earnings fall from $1.33bn to $829m on a decline of $2.25 per barrel in *crude prices.* Overseas upstream profits fell from $2.45bn to $1.78bn.

But Exxon's decision to spend $4.16bn of its cash to buy in stock from shareholders pumped up per-share earnings for the year to $3.95, a gain of 15 per cent.

Sales for the year rose 5 per cent to $87.5bn, thanks to increases of the same amount in crude production, 4 per cent in product sales, 9 per cent in chemical sales, 6 per cent in coal production and 35 per cent in copper production.

● Mobil, the second largest US oil company, reported earnings of $448m or $1.09 a share from fourth-quarter continuing operations, up from $392m or 95 cents in the 1987 fourth quarter. Revenues fell modestly from $14.21bn to $13.89bn.

For the full year, earnings were $2.04bn or $4.95 a share against $1.21bn or $2.96 a share. Revenues rose to $54.87bn from $51.39bn.

Texaco fulfils board pledge

By Karen Zagor in New York

TEXACO, THE giant US oil company, has appointed Mr John Brademas to its board at the instigation of public pension funds led by the California Public Employees Retirement System (Calpers).

The appointment marks a big step forward in a campaign by some large US institutional investors to gain a say in the running of big companies.

Mr Brademas, 62, was picked from a list of 14 names submitted by the California fund. He is president of New York University, the largest private university in the country, and sits on the boards of Loews, the tobacco and hotel concern, Scholastic, the US publishing company, and Colombia Pictures. Mr Brademas will join the Texaco board at the end of the month.

The appointment fulfills a promise by Texaco to give institutions a voice in the choice of directors. The company made the offer in order to win shareholder support during last year's bitter proxy battle with Mr Carl Icahn, the New York takeover specialist and president of Trans World Airlines.

As a result of Mr Brademas' appointment, Calpers said it would withdraw a resolution for a permanent shareholder's committee to monitor Texaco management.

Mr Dale Hanson, chief executive of the California pension fund, said the agreement does not bind Calpers to vote with Texaco management at the next shareholders's meeting.

Mr Icahn, who holds a 16.6 per cent stake in Texaco worth over $1bn, has threatened to launch another takeover bid if he is not satisifed with Texaco's performance under current *management.*

Should another proxy battle ensue, Mr Hanson said that Calpers would examine the issues carefully. "We are very diligent and would want to find out what was in the best interests of shareholders."

In an unrelated move, Texaco also announced the *appointment of Mr Charles* Price, 58, who will join the Texaco board after completing his tenure as US Ambassador to the UK.

Arco ahead but Amoco stagnates

By James Buchan

ATLANTIC RICHFIELD (Arco), the integrated West Coast oil and gas company, lifted *fourth-quarter net income* by 17 per cent in spite of weak crude oil prices.

The improvement was derived largely from refining and chemicals *operations*, which enjoyed *boom* conditions last year.

In contrast, Amoco, the big Chicago-based producer, *reported essentially static* quarterly profits because good "downstream" income failed to offset a fall into loss from exploration and production.

Arco *earned* $391m *or* $2.22 a share in the December quarter, against $340m or $1.86 last time. Sales were $4.62bn against $4.55bn.

Earnings from *Arco's Lyondell* Petrochemical division tripled because of strong demand.

Although realised crude oil prices were only $9.90 a barrel *last year, against* $12.56 in 1987, Arco enjoyed its strongest profits since the early 1980s with a 29 per cent rise in earnings to $1.58bn or $8.78. Sales rose from $16.98bn *to* $18.82bn.

Amoco's earnings for the quarter were $375m or $1.45 a share, a small decline on 1987. Sales were up 4 per cent at $6.2bn.

For the full year, the group enjoyed a 52 per cent increase in net income to $2.06bn or $8.01 on revenues of $23.93bn against $22.46bn.

Flat quarter at BellSouth

By Roderick Oram

BELLSOUTH, the largest regional telephone holding company formed in the break-up of AT&T five years ago, has reported flat earnings in spite of higher revenues.

Profits were held back by increased expenses attributed largely to investment in new businesses. Fourth-quarter net was $419.3m or 90 cents a share, against $411.5m or 85 cents on revenues of $3.58bn against $3.15bn. Full-year net was $1.67bn or $3.51, against $1.66bn or $3.46 on revenues of $13.6bn against $12.23bn.

Polysar takeover sends Nova earnings soaring

By Robert Gibbens in Montreal

A LONG and expensive fight early *last year for* control of Polysar Energy & Chemical has paid off handsomely for Mr Robert Blair and his Calgary-based Nova operation.

Nova's 1988 net earnings soared to C$424m (US$356.6m) or $1.76 a share from C$179m or 70 cents on revenues of C$3.9bn, up from C$2.3bn.

One of western Canada's largest energy and petrochemical groups, Nova bought Polysar, the Ontario-based synthetic rubber products' group, for more than C$1bn *last year.*

Strong demand and higher prices *for primary products* and for Polysar's secondary petrochemical products made 1988 an extraordinary year for Nova which is now a major factor in the North American market for ethylene, polystyrene and methanol.

Mr Blair said 1989 would show further gains, and that Nova would pay more attention to improving its US market share. The company has a $1bn spending programme, mainly to expand its gas pipeline system in Alberta.

Westinghouse in distribution pact with Siemens

By Roderick Oram

WESTINGHOUSE Electric and Siemens have agreed to distribute a number of each other's products in a pact far more modest than the wide-ranging joint venture the US and West German companies had hoped to establish last year.

The products include Westinghouse's series C family of molded case circuit breakers and part of Siemens' line of Siematic programmable logic controllers.

Westinghouse said the agreement opened a new channel for its products abroad and for Siemens in the US.

As originally conceived last spring, the joint venture would have employed some 3,000 people and generated some $300m to $400m in annual sales. The talks foundered late last year.

US insurer's net premium volume drops by 15.7%

By Nick Bunker

FIREMAN'S FUND, the California-based insurer, produced graphic evidence yesterday of the cyclical price war under way in much of the US property-casualty insurance market.

The company reported a 15.7 per cent drop in its net premium volume in 1988 to $2.84bn, reflecting its strategy of letting insurance risks go rather than underwriting them at unprofitable prices.

It allowed its pay-roll to shrink more than 10 per cent, from 12,614 in September 1987 to about 11,000 now, due to attrition, consolidation of claims offices and withdrawal from Massachusetts.

Consolidated net income at Fireman's for the year was down 35 per cent at $235m, or $4.51 per share, but the time-lag between pricing trends and their impact on earnings meant that this reflected declining realised capital gains rather than poorer underwriting results.

Net assets per share rose 25 per cent to $32.75, partly because of a 12.5 per cent reduction in the number of outstanding shares.

The key figure was a worsening in Fireman's combined ratio, measuring claims and expenses as a proportion of premiums. This rose from 108.7 per cent in the last quarter of 1987 to 111.8 per cent in the same period last year, with a ratio of 109 per cent for 1988 as a whole.

Fireman's Fund officials said they were not now expecting the insurance pricing cycle to turn up before 1991.

NEWS IN BRIEF

● QUAKER OATS, the US food producer, benefited from a strong performance in its US and international grocery businesses in the second quarter. Net income was $41.4m or 53 cents a share, against $45.5m or 56 cents, but the 1987 results included a non-recurring tax benefit of 10 cents. Sales rose to $1.35bn from $1.23bn.

At the halfway stage, group profits were *ahead* at $90.1m or $1.14, compared with $86.6m or $1.08 on sales of $2.8bn, against $2.5bn.

● CHASE MANHATTAN, the second largest US bank,would continue to reduce its total loan exposure to developing countries in the year ahead, said Mr Willard C. Butcher. He declined, however, to say how much of a reduction the bank had targetted.

In 1988, Chase reduced its LDC exposure to $7.9bn at theyear-end from $8.6bn at the beginning of the year.Mr Butcher said the reduction had exceeded the bank's goal of cutting exposure to $8.2bn.

● CITICORP'S equities brokerage business which lost money in 1988 will lose money again in the current year, but Citicorp did not plan to retreat from the sector, Mr John Reed,chairman,told analysts.

He said they "expect to lose money in the business in 1989, but not anywhere near the levels of 1988. There will be a significant year-to-year improvement". The equities business lost between $100m and $200m in 1988, including a $60m restructuring charge, Mr Reed added.

● DATA GENERAL, the US computer and peripherals group, suffered a loss in the first quarter and blamed on lower shipments, resulting from a major transition in its product lines.

The group reported a net loss for the quarter of $19.5m, or 69 cents per share, compared *with a profit of* $13.8m, or 48 cents, last time.

US gets tough on insider trading

Leo Herzel and Daniel Harris on stiffer laws policing Wall Street

The US rules against insider trading, combined with laws against mail and wire fraud and racketeering, have become so tough that those accused can rarely risk going to trial.

Late last year, for example, Wall Street powerhouse Drexel Burnham Lambert agreed to plead guilty to felony charges of securities fraud to avoid a racketeering indictment by federal prosecutors – which could have led to treble damages and, much worse, sequestration of assets. As part of the plea bargain, Drexel also agreed to co-operate with the authorities in the investigation and prosecution of its employees and clients and to pay $650m in damages and penalties.

But tough as they are, the US laws against insider trading were made even stiffer last November when President Ronald Reagan signed legislation, aimed primarily at Wall Street market professionals [1]. The measure, among other things, doubles the maximum prison sentence for insider trading to 10 years from five and increases the maximum criminal fine to $1m from $100,000 for individuals and to $2.5m from $500,000 for corporations and partnerships.

In addition, the law empowers the SEC to seek treble damages against securities firms which knowingly or recklessly fail to establish, maintain and enforce procedural safeguards against insider trading by employees. As a practical matter, this is a modest expansion of the agency's powers. Under prior law, which continues in effect, the agency has the life-or-death power to bar or suspend a securities firm whose employees engage in insider trading, if the firm has been lax in its supervision.

The new legislation also creates a private right of action against persons who trade illegally while in possession of material non-public information. To bring a suit, the plaintiffs must have been "contemporaneous traders," that is, buying when the defendant was selling or vice versa. Damages, however, may not exceed the profit gained or loss avoided by the inside traders or their immediate tippees; and a defendant is entitled to credit for any repayment of illicit profits secured by the SEC.

Contemporaneous traders may sue if the defendant misappropriated (for example, by stealing or breach of fiduciary duty) the information *from any source*. Trading on misappropriated information is already a crime under the anti-fraud provision of the securities laws and the mail and wire fraud statutes [2]. This provision of the new law is designed to overturn a court ruling that limited private suits to insider information obtained *from the issuer* of the securities [3].

Although Congress may not have intended it, the language of the new statute appears to be broad enough to permit a private suit for insider trading if the defendant traded while in possession of legitimately acquired material non-public information, but in violation of some other securities statute or regulation. Thus, for example, there may now be a private right of action for insider trading against a trader who fails to report the ownership of stock in excess of five per cent of a target company's outstanding stock. In this instance, the non-public information might be no more than the trader's knowledge of his own stock accumulation.

Under another provision of the law, the SEC is free to set up a bounty programme to award informants. The legislation also recognises the importance of international securities law enforcement by empowering the SEC to investigate violations of foreign securities laws on behalf of foreign law enforcement agencies. This provision was designed to give the SEC more bargaining power to obtain co-operation on a reciprocal basis from foreign securities officials.

The new measure does not include a statutory definition of insider trading although it in effect has expanded the definition. Congress still prefers to rely on the existing and expanding body of court cases rather than to risk creating loopholes for inside traders by the adoption of a more rigid statutory definition.

The new legislation passed without controversy – in the House of Representatives by a vote of 410-0 and in the Senate by a voice vote. It continues a trend toward stricter laws and enforcement against insider trading. A few years ago insider trading by stock market professionals was almost impossible to detect. Now surveillance using computers has made detection of these violations a more practical goal.

But much of the explanation for this enthusiastic push against insider trading is political. Corporate takeovers are more important and more controversial than they have ever been since the beginning of the Depression of the 1930s.

There is, however, no consensus on what should be done or why. For some politicians and economists the solution lies in restricting takeover

Revised legislation doubles the maximum prison sentence for insider trading from five to 10 years

activity through changes in tax and other laws. Others, however, want to throttle takeover defences.

Each side is able to muster powerful expert arguments and political support for its views. As a result, Congress and the SEC have been deadlocked. At the same time, the Reagan Administration was torn between its laissez-faire philosophy and the public clamour to do something. Poignantly, much of the pressure to do something has come from the Administration's warmest supporters in big business.

In this impasse, a crackdown on insider trading provided the perfect solution for Congress, the Administration and the SEC. They could take what appears to be strong and very moral action without interfering very much with the market. The step has wide support. To the general public and top corporate management, insider traders are rich cheaters – *gamblers with marked cards*.

Large securities firms may not like many of the implications of the added regulation, but they are too smart to waste their political capital on defending larceny by their employees. Also, the existing enforcement tools (such as the anti-racketeering law and the SEC's power to suspend or bar securities firms) are so overwhelming there is little practical point in opposing additional measures.

Almost all of the recent insider trading prosecutions have been against dishonest market professionals who were stealing client secrets. Even the most iconoclastic efficient-market theoreticians who defend trading by insiders have nothing nicer to say about stealing information than that it is already illegal under state law, where it should be left.

However, state enforcement is hopelessly out of its league when it comes to detecting and pursuing insider trading by market professionals in national and international markets. In fact, the SEC and the Department of Justice have to be both lucky and to work very hard to ferret out Wall Street crime [4].

Happily, unlike many of the other likely government interventions in the takeover market, insider trading prohibitions are probably on balance economic pluses. Allowing the stealing of information is privately and socially very costly.

However, the main advantages of stepping up the attack on Wall Street insider trading are political rather than economic. In this respect, the assault on insider trading is reminiscent of President Theodore Roosevelt's crusade against the "malefactors of great wealth" in the early 1900s. It reassured an uneasy America that Wall Street titans were subject to the law [5]. In our time, insider trading by market professionals and takeovers divide not only rich and poor, they also divide Wall Street from a large part of the top management of big business.

In short, until there is more agreement on takeover policy, being very tough on insider trading shows pretty good political judgment in two respects. It provides a substitute for a takeover policy and shows the public that Congress and the Administration have a tough policy against Wall Street wrongdoing.

1 The Insider Trading and Securities Fraud Enforcement Act of 1988, Public Law 100-704, 102 Statutes 4677.
2 *United States v Newman*, 664 F.2d 12 (2d Cir. 1983).
3 *Moss v Morgan Stanley Inc.*, 719 F.2d 5 (2d Cir. 1983).
4 See: Herzel and Harris, Fighting Crime on the Street, Financial Times, September 15, 1988.
5 See: G. Kolko, The Triumph of Conservatism (Free Press 1963).

The authors work for Mayer, Brown & Platt, the Chicago law firm.

Metals duo plan A$90m mine in Queensland

By Bruce Jacques in Sydney

PANCONTINENTAL Mining, the Australian resources group, and its Finnish partner Outukumpu Australia have agreed to spend A$90m (US$78.8m) developing a new base and precious metals mine at Thalanga in northern Queensland.

The partners hope to be in production by the end of the year to take advantage of booming metal prices, making Thalanga one of the fastest-developed base metals projects in the world. This is being made possible by using plant purchased in 1987 from the mothballed Teutonic Bore operation in Western Australia.

The partners plan to begin with an open pit operation to win 520,000 tonnes of supergene ore and a further 200,000 tonnes of gold and silver-rich gossan. After the first year, production will be at a rate of 550,000 tonnes a year from an underground operation.

Initial ore will be treated on site to produce separate copper, zinc and lead concentrate which will be sold to smelters in Japan, Korea, Europe and Pacific Rim countries with small amounts also marketed in Australia.

Pancontinental and Outokumpu are also studying the feasibility of another, and probably larger, base metals project in Queensland called Lady Loretta.

Gold and diamond interests help boost JCI in first half

By Jim Jones in Johannesburg

HIGHER DIVIDENDS from gold, platinum, diamond and industrial interests and better coal trading conditions helped to lift the interim profits of Johannesburg Consolidated Investment Company (JCI) 9.2 per cent in the six months to December.

The group's two gold mines, Randfontein and Western Areas, have been going through a difficult period with lower gold prices. However, the platinum interests, held through Rustenburg Platinum, have benefited from higher nickel prices and favourable exchange rate movements.

The diamond interests, comprising a shareholding in De Beers and direct interests in the diamond group's marketing companies, have recorded strong profit growth with record diamond sales.

JCI's first-half pre-tax profit, which includes that of the wholly-owned Tavistock Collieries as well as dividend income from the group's other mining investments, was R135.4m ($56.7m) against R124.0m in the corresponding period of 1987 and R322.7m for the past financial year as a whole.

Interim dividend income increased to R93.4m from R81.2m – in the last full year R234.9m was earned. Apart from its mining interests JCI controls Argus and Times Media, South Africa's two English-language press groups, and manages Consolidated Murchison, the antimony mine, and Consolidated Metallurgical Industries, the ferrochrome producer.

The group expects soon to begin development of South Deep, a new gold mine adjacent to the Western Areas property.

Net earnings rose to R16.41 a share from R13.63 and the interim dividend has been lifted to R7 from R6. Last year's full earnings were R38.92 and the dividend totalled R17.50.

● Marievale, the small gold mining and mineral rights company managed by the Gencor mining house, is negotiating a merger with Rand Extensions & Exploration (Randex), an independent explorer. The two companies say that if a merger is agreed it will be on the basis of stock market values.

Yesterday Marievale was valued at about R180m on the Johannesburg Stock Exchange while Randex was worth slightly more than one third of that.

Randex's principal mineral rights interests lie to the south of Johannesburg and it is involved in a joint exploration venture with JCI to the west of JCI's South Deep project. Marievale, too, has mineral rights to the south of Johannesburg and in the Evander goldfield next to Gencor's four operating mines.

US banks in Brazil lease move

By John Barham in Sao Paulo

CHASE MANHATTAN Bank and Citibank of the US have led a $461.6m syndicate to buy and lease back equipment to a steel mill owned by the Brazilian Government, in the country's biggest ever leasing operation.

A Chase Manhattan executive said negotiations with the Brazilian Government took two and a half years. "The operation is a disguised form of relending," he added.

The Government had to introduce special legislation for the operation, allowing foreign banks' frozen central bank credits to be channelled to leasing companies belonging to the syndicate.

Aço Minas Gerais (Açominas), Brazil's fifth-largest steel company, will pay 11/16 per cent over London interbank offered rates (Libor), the same as the interest due on the Brazilian external debt, plus a further, undisclosed, spread. Açominas has 114 months to pay.

Brazil suspended conventional relending mechanisms as part of its new anti-inflation Summer Plan. Relending would have allowed foreign banks to lend $1.8bn of their frozen central bank assets to domestic borrowers. The Açominas operation was approved before relending was suspended.

Açominas will use the money to build a rolling unit that is 10 years overdue.

Gulf to get two more aluminium smelters

By Robin Allen in Dubai

TWO MORE aluminium smelters are to be built in Gulf states to take advantage of current high prices and favourable prospects with world consumption expected to outstrip supplies for the next five years and more.

At present there are only two smelters, Aluminium Bahrain and Dubai Aluminium, in production in the Gulf. Qatar is the site for the third, where construction of Doha Aluminium Company's $1.2bn plant, to have a capacity of 240,000 tonnes a year, could start next June, for completion by 1991.

Shareholders include Chinese, Hong Kong and US companies, as well as Dubai's Bank of Oman, and Qatar Insurance Company. New York-based Lloyds International Corporation is to lead a syndicated loan. British companies led by Balfour Beatty will construct the smelter. Project manager is the London office of the US's Brown & Root.

Cheap and plentiful natural gas from Qatar's abundant North Field reserves will be an important resource for the smelter. It will be powered by more than 100m cubic feet of gas a day.

The Doha plant has received an industrial licence from the government. Estimated cost of construction is some $750m. The smelter is expected to come on stream in 1992.

Alujain Corporation of Saudi Arabia is meanwhile spearheading a plan to build the kingdom's first smelter, with an annual capacity of 210,000 tonnes, at Yanbu on the Red Sea. Alujain's shares are to be held by Saudis and nationals from other countries of the Gulf Co-operation Council – Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates. The Saudi shareholders are led by Saudi Cable Company, controlled by Jeddah's Xenel Industries, itself owned by the Ali Reza family. Alujain will retain 60 per cent of Alusa, the smelter's operating company, with the balance to be offered to foreign investors.

Alujain has signed a memorandum of understanding with France's Aluminium Pechiney for Pechiney to provide the technology as well as management services. Project manager is to be Bechtel of the US. Morgan Grenfell, the British merchant bank, will act as financial adviser.

Alujain said last week that discussions had reached an advanced stage with a number of European, Japanese, Australian and US companies aimed at obtaining long-term offtake and supply agreements – both for the import of alumina, refined bauxite, and the export of Alujain's refined aluminium products.

Some are sceptical that the smelter will be viable, saying it could be hampered by the lack of gas because of the strict limits imposed on the kingdom's crude oil production by its Opec quota, as well as of non-associated gas. All the available ethane is taken by Saudi Basic Industries Corporation (Sabic) to use as feedstock for its petrochemical plants.

Other gases could be used to power the smelter but they would be several times more expensive than ethane. Without cheap and plentiful gas the kingdom would lose its competitive edge.

They add that the financial benefit of exporting aluminium products in a seller's market could be offset by the cost of importing alumina and the lack of existing power capacity at Yanbu. The government is expected to pay for the extra power capacity needed to accommodate the smelter.

BIL sells US hotel chain

By Our Financial Staff

BRIERLEY Investments (BIL) of New Zealand has sold Quality Inns, a US hotel chain, for NZ$95m (US$59.9m) to Interwest, an Australian tourism company.

Meanwhile Sumitomo Realty and Development, one of Japan's leading property companies, has bought the Marriott Hotel in Century City, west of Los Angeles, for US$85m.

INTERNATIONAL COMPANIES AND FINANCE

Norwegian debt collector calls an end to euphoria

Karen Fossli on the price to be paid by those involved in Norway's rising commercial bankruptcies

Torgeir Stensrud: Forretnings-Forum's managing director appears the archetypal debt-collector

As commercial bankruptcies in Norway reach their highest-ever levels, business is booming for Mr Torgeir Stensrud, managing director of Forretnings-Forum, a leading Norwegian debt collector.

After two years of record losses on loans for banks and other credit institutions, Mr Stensrud's line of work has become essential to Norwegian business life. Mr Stensrud has the formidable stature of the archetypal debt-collector but, despite his imposing presence, even his company is having problems squeezing blood from stones.

According to Mr Stensrud, at the beginning of last year Forretnings-Forum was able to pry repayments from 90 per cent of its clients' debtors. That figure has lately slipped to 70 per cent.

Recent official figures show an 81 per cent increase in Norwegian bankruptcies in 1988 from the previous year. Problems with Norway's oil-driven economy since oil prices fell in 1986 have forced the minority Labour Government into a tight monetary policy and a restrictive policy on wage increases. The euphoria of mega petro-bucks had allowed Norwegians to live beyond their means for years. And the banks were guilty of credit policies that were too relaxed.

Somewhat uncomfortably, Mr Stensrud, a Conservative Party supporter, traces the root of the problem to 1985 and *the Conservative Government* of Mr Kaare Willoch, who deregulated the banks, allowing rapid expansion and lending, in the end, to an over-heated and over-competitive financial services environment.

This belief was echoed recently by the new executive management of Den norske Creditbank (DnC), the Norwegian bank hardest hit by losses on loans and guarantees. In DnC there was no "scrutinisation of loans" and a distinct "lack of accountability," they claim.

Mr Stensrud believes that Norway's bankers have limited international expertise and understanding and that too *many banks retain old-guard* managements that should long since have been removed.

Massive spending on luxury items has also found private individuals unable to "pay to play," and companies in these types of businesses have been forced to close up shop, unable, in turn, to repay their debts.

However, Mr Stensrud claims that the *de facto* number of Norwegian bankruptcies last year is likely to have been around 12,000, rather than the official 3,494. "There is a very large group of bad debtors which is not listed in 'official' computer statistics," he says. These are known as "grey bankruptcies," in that when they go bust they either disappear or have no assets worth seizing. For a collector such as Forretnings-Forum, they are not worth pursuing; expenses would never be recouped. They are thus not taken to court and avoid being listed among "official" bankruptcies.

Forretnings-Forum is seeking some NKr100m ($15m) from "official bankruptcies," of which approximately 90 per cent are commercial, and bad debtors. Claims total more than 120,000, of which 40,000 are "last reminders."

"One of the main problems of many creditors is that they do not have the means to see their bad debtors in court," says Mr Stensrud. It is especially a problem for foreign creditors. However, Forretnings-Forum will soon improve its service to foreign creditors through cross-border co-operation with the Amsterdam-based Intrum Group, of which it is to become a subsidiary. The Intrum Group is Europe's largest debt-collecting agency.

Mr Stensrud has been appointed managing director and chief executive officer of Intrum International cross-border operations.

Fiat claims highest W European sales

By John Wyles in Rome

ITALY'S FIAT group yesterday announced a 23 per cent rise in operating income in 1988 and formally declared itself to have been the leader of the West European car market, with total sales there of 1.93m vehicles.

Making this claim in his letter to shareholders yesterday, Mr Gianni Agnelli, Fiat president, said that the company had raised its West European car sales by 9.8 per cent to take a 14.9 per cent market share. Some industry estimates recently reported in the Financial Times have placed Volkswagen narrowly ahead of Fiat at the head of the sales league, but the final outcome of the head-to-head battle between the two producers will not be known until official figures are in from all markets in about three months.

Fiat's record operating profit of L3,820bn ($2.8bn) came out of a 16 per cent increase in turnover to L44,500bn. Mr Agnelli reported that demand for the company's main products had been "brilliant" and that the operating profit had risen from 8.4 to 8.6 per cent of total sales.

The company had invested more than 11 per cent of its sales revenue preparing to meet future challenges through expenditure of L1,600bn on research and L3,350bn on plant and equipment. At the same time, the group's financial position had strengthened from a net balance of L180bn at the end of 1987 to L2,000bn at the end of last year.

Overseas sales had risen by L3,000bn to L21,000bn and 14,000 people had been recruited during 1988, including former employees who had been laid off. Referring to the departure in November of Mr Vittorio Ghidella from his post as managing director of Fiat Auto, Mr Agnelli repeated that this had been due to differences over the role of Fiat Auto and that Fiat was "an industrial holding and the direction of all the activities of the group must remain inside that holding."

Fiat Auto continued to dominate the group's activities last year after a 14.1 per cent rise in sales to L25,267bn — at 56.8 per cent, a slightly lower proportion of the group's total turnover than in 1987. Total car sales climbed from 2.04m in 1987 to 2.29m, while employment in the company rose by 857 to 130,675. Lancia sales exceeded 200,000 units for the first time, rising by 5.8 per cent to 210,000. In its second year under Fiat, Alfa Romeo's sales leapt 21.6 per cent to 162,000.

Elsewhere in the group, vehicle components subsidiaries recorded a 26.1 per cent rise in sales to L3,331bn — an increase that, in percentage terms, was exceeded only by two very much smaller units.

● Fiat yesterday made two international appointments to its board. Deutsche Bank, which owns about 2.5 per cent of Fiat, will be represented by Mr Ulrich Weiss, a bank executive. Mr Antoine Riboud, chairman of BSN, the French foods group, also becomes a director. BSN holds 20 per cent of Ifil Partecipazioni, an Agnelli family holding company.

German Co op abandons plan to buy into Phora

By Haig Simonian in Frankfurt

CO OP, the troubled West German retailing chain now majority-owned by a group of international banks, has taken its first small public step towards restoring its finances. It has reversed a decision made last September to buy a 75 per cent stake in the Phora Group, a small Mannheim-based audio, video and photographic chain.

Phora, which is family owned, has annual sales of some DM200m ($109.2m) and would have complemented two smaller companies in the same field bought by Co op in late 1987.

Although one of last year's most acquisitive German companies before its difficulties came to light in October, Co op has lagged behind some of its competitors in expanding into the audio-video business, which has seen some of Germany's liveliest high-street takeover activity as store groups have jockeyed for market share.

"The preservation and expansion of the group's available potential and the speedy resolution of its weak points takes priority in view of the present situation," Co op said. The agreed purchase price for Phora has not been disclosed, nor any terms for its change of policy. However, Phora will now take management control of Co op's two existing audio-video operations.

Separately, the Federal Cartel Office last week officially approved the restructuring of Co op announced in December, when four international banks took a 72 per cent stake in the group. The anti-trust authorities also approved the pact between the four banks and Bank für Gemeinwirtschaft and Deutsche Genossenschaftsbank (DG Bank), two large domestic banks which also have close links with the Co op.

The six banks have now received a copy of the auditors' report on Co op's finances and have agreed to support the company, provided that all Co op's other creditor banks, numbering about 100, maintain their credit lines, they said.

Meanwhile, details of a new permanent managing board to replace Co op's "interim" directors appointed in December, when its previous three-man team was sacked, have still to emerge. A supervisory board meeting is to be held by the middle of next month, followed by a presentation of the definitive auditors' report and "further measures for reshaping the company," to all creditor banks during the second half of the month, according to Swiss Bank Corporation and DG Bank, which are leading the six-bank pact.

Scor sees 7% profits rise

By George Graham in Paris

SCOR, THE leading French reinsurance group, expects to report net consolidated profits of FFr220m ($35.3m) for 1988, a gain of 7 per cent on the previous year.

Mr Patrick Peugeot, Scor's chairman, said the improvement in the reinsurance market experienced in 1986 and 1987 had begun to wane last year, with competition on premium tariffs becoming much fiercer. This year was expected to show, at best, static income.

Scor's gross premium income in 1988 is expected to have totalled around FFr6bn. After retrocessions, the group's net engagements reached around FFr5bn, with some 60 per cent accounted for by the Paris parent company and the remainder by its overseas subsidiaries.

Mr Peugeot said the group had now put the operational side of its French activities under a new subsidiary, Scor Reassurance, leaving Scor itself as a holding company for the group.

The group's capital base is now FFr2.4bn. State-owned institutions and insurance companies now control 58.78 per cent of its equity, with the Axa Midi private-sector insurance group and a number of mutual insurance companies controlling most of the rest of its shares. The plan of the last right-wing government to pass Scor into the private sector now appears to be abandoned.

INTERNATIONAL COMPANIES AND FINANCE

Greenspan speech lifts Treasuries

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds yesterday moved sharply higher, reflecting a stronger dollar which rallied on remarks by Mr Alan Greenspan, chairman of the US Federal Reserve, which underscored the central bank's commitment to fighting inflation.

By midsession, bond prices were quoted as much as ¾ point higher at the long end of the yield curve and the yield on the Treasury's benchmark long bond fell to 8.77 per cent.

Mr Greenspan said that current inflation rates were too high and would have to be brought down, and indicated that the Fed was erring on the side of tightness in order to pre-empt an intensification of inflation pressures.

There was little surprising in the chairman's testimony but the tone was aggressively anti-inflationary.

A feeling that higher US interest rates may be needed to bring inflation down prompted a strong rally in the dollar, which offset any negative sentiment about higher interest rates in securities markets and encouraged rallies in both bonds and stocks.

The bond market appears increasingly to have discounted higher interest rates and its resilience recently seems to reflect confidence in the Fed's commitment to fighting inflation.

Another positive factor for Treasuries yesterday was the release of the fourth quarter Employment Cost Index, which measures hourly earnings, benefits and salaries, and therefore gives the most complete picture available of wage pressures.

The index increased by 1.0 per cent, lower than forecasts of a 1.4 per cent gain.

THE UNUSUAL decision by the Japanese Ministry of Finance to postpone from yesterday the February offering of 10-year government bonds to the underwriting syndicate disappointed the market.

Traders had been hoping for a coupon of 4.8 per cent, while the MoF was believed to be after a lower 4.7 per cent, unchanged from the rate on January's issue.

So a weaker dollar and the drop in oil prices failed to push prices sharply higher.

Still, the No. 111 benchmark bond did recover from Monday's weakness to close yielding 4.785 against 4.84 per cent the previous day.

The ministry's decision may stem from purely technical reasons.

But there was some speculation that officials may be holding their fire and hoping for calmer conditions in the run-up to the meeting of finance ministers and central bankers of the Group of Seven industrial nations scheduled for February 3.

THE Bundesbank announced another US-style variable rate 28-day repurchase agreement.

GOVERNMENT BONDS

An earlier facility of DM16.5bn expires from the market today.

At the morning fixing on the bourse, prices were set between 10 and 15 pfennigs firmer, as a weaker dollar and sentiment that domestic rates had peaked for the moment contributed to a firmer tone.

UK ECONOMIC statistics released yesterday, while suggesting a slowdown in the economy, did not unduly impress the market.

The CBI survey indicated a more pessimistic manufacturing outlook and building society lending rates for December were down to £2.2bn for December compared with £3.5bn for November.

But neither set of statistics is seasonally adjusted, and the market took them on board with due caution.

The CBI forecast had in any case been leaked last week and was substantially discounted.

Some Continental European institutional interest was reported during the morning, as investors took advantage of a currency window as sterling dipped briefly to DM3.245.

The market was not much changed on the day, with the benchmark treasury bond $\frac{1}{16}$ point firmer, and some shorts up to ⅛ higher.

THE IRISH government bond market has moved ahead 2¼ points since last Friday, so that the benchmark 8¾ per cent bond due 2010 now yields 8.33 per cent.

Traders said that the new year fall had been excessive, and buying interest had been generated because the market now looked relatively cheap compared with, say, the French market.

The Irish budget is due today, and market expectations are for a continuing broadly deflationary stance, with an Exchequer borrowing requirement of about I£1bn.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	109-07	-5/32	10.39	10.47	10.64
		8.750	9/97	94-13	+3/32	9.73	9.85	10.05
		9.000	10/08	98-17	+1/32	9.05	9.19	9.20
US TREASURY *		8.875	11/98	99-16	+9/32	8.95	9.05	9.05
		9.000	11/18	101-30	+18/32	8.81	8.89	8.94
JAPAN	No 111	4.600	6/98	95.8321	+0.352	4.78	4.81	4.87
	No 2	5.700	3/07	106.0494	+0.211	4.77	4.77	4.75
GERMANY		6.750	8/98	100.6250	+0.075	6.68	6.69	6.66
FRANCE	BTAN	8.000	10/93	97.7375	+0.001	8.58	8.50	8.60
	OAT	8.500	5/98	105.7800	+0.050	8.58	8.63	8.61
CANADA *		10.250	12/98	101.6250	+0.250	9.98	10.08	10.09
NETHERLANDS		6.7500	10/98	100.3750	-0.025	6.77	6.74	6.58
AUSTRALIA		12.500	1/98	97.5769	+0.358	12.95	13.12	12.90

London closing. *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Euro-clear to launch Japanese share service

By Stephen Fidler, Euromarkets Correspondent

EURO-CLEAR, the Brussels-based clearing system for international securities, said yesterday that it would begin clearing and settlement in Japanese shares from February 1.

About 440 Japanese shares will initially be eligible, increasing the coverage of the system's equities service, launched almost three years ago, to nearly 2,000 equities listed in 15 countries. All the companies included in the Nikkei 225 index will be accepted.

Euro-clear, operated by Morgan Guaranty, the US bank, already handles most of the international settlements of Japanese equity warrants and convertibles. The Bank of Tokyo and the Industrial Bank of Japan, already Euro-clear depositaries, will be depositaries for Japanese shares.

More than 2,400 institutions use Euro-clear.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 24

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey National 7½ 92	200	†93½	94	0	0	9.95
A/S Eksportfinans 7¼ 92	150	93⅜	93¾	0	0	9.86
B.F.C.E. 7 92	150	92⅝	93½	0	+0¼	9.69
Brit. Tel. Fin. 9⅝ 98	250	98⅝	99⅛	+0⅛	+0⅛	9.55
Canada 9 96	1000	98⅜	98⅞	0	+0⅜	9.27
Canadian Pac 10¼ 93	100	†101½	102½	0	0	10.13
C.C.C.E 9¼ 95	300	98¼	98¾	+0¼	+0¼	9.58
C.N.C.A 9⅞ 93	150	99¼	99⅝	0	+0¼	6.52
Credit Lyonnais 9 91	200	†98½	99	0	0	9.67
Credit National 8¼ 93	200	95⅛	95½	0	+0¼	9.65
Credit National 7⅝ 92	100	93⅜	93⅞	0	0	9.73
Credit National 7¼ 91	150	†93⅝	94⅛	0	+0⅛	9.77
Dai-Ichi Kan 9⅝ 92	150	99⅝	100⅛	0	+0¼	9.63
Denmark 7⅛ 92	500	92¾	93⅛	-0⅛	+0⅛	9.83
E.E.C. 7 91	100	93¾	93⅞	0	0	9.64
E.E.C. 7¼ 93	250	92⅛	92⅝	0	+0⅛	9.57
E.E.C. 8 90	358	†97⅜	97⅞	+0⅛	+0⅛	9.70
E.I.B. 7⅝ 93	100	92¼	92⅞	0	+0⅛	9.61
E.I.B. 9⅝ 97	150	99	99⅜	+0⅛	+0⅜	9.49
Elec. De France 9 98	200	96½	97	0	+0¼	9.54
Finland 7⅞ 97	200	90¼	90⅞	0	+0⅛	9.63
Finland 7½ 93	200	91⅞	92⅜	-0⅛	0	9.70
Finn. Exp. Cd. 8½ 92	200	96⅜	96⅞	-0⅛	0	9.78
Ford Motor Credit 8 91	250	†96	96½	-0⅛	-0⅛	9.99
Gen. Elec. Cap. Corp. 9 93	500	97⅜	97⅞	0	+0½	9.62
Gen Elec Credit 10¼ 00	200	99¾	100¼	0	0	10.23
Gen. Mtrs. Corp. 9⅛ 92	200	97⅞	98⅜	+0⅛	+0⅛	9.75
Halifax BS 9½ 93	200	†98⅜	98⅞	+0⅛	+0⅛	9.87
IBM Credit Corp. 8⅞ 91	250	98¼	98⅝	-0⅛	-0⅛	9.54
Italy 9 90	1000	†99⅛	99⅝	+0⅛	+0⅛	9.36
Italy 9½ 95	1000	99⅜	99⅞	0	+0¼	9.56
L.T.C.B of Japan 8 91	100	95⅝	96⅛	+0⅛	0	9.86
L.T.C.B. of Japan 8 97	200	90⅛	90⅝	0	+0⅛	9.79
Metropolis Tokyo 9½ 93	200	99⅞	100⅜	0	0	9.46
Morgan Guaranty Tst. 7 90	150	†96½	97	0	0	10.15
Nippon Tel. & Tel. 9½ 98	250	98½	99	-0⅛	+0⅛	9.57
Norway 8¾ 93	500	96⅞	97⅜	0	-0⅛	9.62
Portugal 8¼ 91	300	†96¼	96¾	0	-1	10.11
Prudential Crp. 8¾ 94	125	96¾	97¼	0	-0⅛	9.45
Qantas Airways 10⅜ 95	140	†102⅞	103⅛	0	+0⅛	9.70
Saskatchewan 10¼ 92	100	102⅜	102⅞	0	+0⅛	9.71
State Bk S Aust 9¼ 93	100	98	98½	+0¼	+0¼	9.79
Sumitomo Bank 9⅝ 92	150	99¾	100⅞	0	+0⅛	9.59
Swed Exp Cred 7¼ 91	100	†93¾	94¼	0	+0¼	9.72
Sweden 7 91	250	93⅝	94⅛	-0⅛	+0⅛	9.65
Sweden 7 92	250	†92¾	93¼	0	0	9.75
Sweden 8¾ 96	200	96	96½	+0⅛	+0½	9.48
Sweden 8½ 92	200	†96¾	97¼	0	0	9.50
Victorian Rep 11⅛ 92	150	104¾	105¼	+0⅛	+0¼	9.72
World Bank 7 92	300	†93⅛	93⅝	0	+0⅛	9.63
World Bank 9 97	300	97	97½	0	0	9.47
World Bank 9¼ 98	300	98¼	98¾	+0⅛	+0⅜	9.48
Yasuda Trust Fin 8½ 93	100	†95⅝	96⅛	+0⅛	+0⅛	9.66

Average price change... On day +0 on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. BK. 6 94	200	100⅝	101⅛	0	-0⅝	5.79
Avis Fin. SVS 5¾ 92	100	99¾	100¼	-0¼	-0¼	5.87
Bank of Tokyo 5¾ 93	100	100½	101	-0¼	-0¼	5.54
Central BK. Turkey 7 92	200	102⅞	103⅜	0	-0⅝	6.05
Commerzbank o/s. 5⅝ 93	300	99¼	99¾	0	-0¼	5.52
Degussa Int. 6⅛ 97	200	99⅞	100⅜	-0⅛	-0¼	6.08
E.I.B 5½ 98	150	94⅞	95⅛	0	-0⅛	6.18
E.I.B 6 97	300	98⅛	99⅛	-0⅛	-0¼	6.20
E.I.B. 6⅛ 96	300	99⅞	100⅛	0	+0¼	6.07
E.I.B. 6⅛ 97	400	99½	100⅛	+0⅛	-0¼	6.14
E.I.B. 6⅞ 95	300	103⅞	104⅛	0	0	6.11
Euro. Coal & Steel 5⅞ 97	175	97½	98⅛	0	-0⅜	6.22
Eurofima 6¼ 96	100	99⅝	100⅛	+0¼	-1⅜	6.24
Elec De France 5⅞ 97	300	97⅞	98⅜	+0⅛	+0¼	6.01
Forsmark Krtg. 5⅛ 93	200	97⅛	97⅞	+0⅛	0	5.82
I.A.D.B. 6 97	200	98½	99⅛	-0⅛	0	6.19
Japan Dev. Bk. 5⅜ 95	300	98½	98⅞	-0¼	-0¼	5.66
Japan Finance 5¾ 97	100	96⅜	97	+0⅛	-0⅝	6.27
Ireland 6½ 97	300	99¾	100¼	-0¼	-1	6.49
Malaysia 6¼ 94	150	99⅜	100⅜	0	-0⅝	6.24
Nat. West BK. PLC 6 98	300	97	97⅜	-0⅛	0	6.38
N.H.L. Finance 6¼ 95	200	†99¾	100¼	0	0	6.24
Nippon Telg. & Tel. 6 95	400	100⅝	101⅛	0	0	6.04
Oesters. Kontbk. 5 93	300	97⅝	98⅜	+0⅛	-0¼	5.57
Portugal 5⅜ 92	150	100⅝	101⅛	0	-0⅛	5.50
Portugal 6⅝ 95	150	101⅛	101⅝	0	0	6.33
Privatbanken 5¼ 93	150	97	97⅝	0	-0½	5.99
Royal Insurance 5½ 92	300	99⅞	100⅜	0	-0¼	5.45
Soc Cent Nucleur 7¼ 95	150	104⅜	105	+0⅛	0	6.34
Turkey 6½ 95	500	97¼	98	0	0	6.97
Westlb. Finance 5 93	200	†98⅝	99⅛	0	-0⅛	5.31
World BK. 6¼ 97	600	100¼	100⅞	+0⅛	+0⅛	6.13

Average price change... On day 0 on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev. Bk. 5 96	150	†98½	99	0	-0½	5.20
Asfinag 5 03	100	†96	97	0	0	5.35
B.F.C.E. 4½ 98	200	†96¼	96½	0	+0⅛	4.99
B.M.W. Fin. Neth. 5 13	150	†93¼	94	+0⅜	-1½	5.48
Britannia B/S. 4¾ 94	100	†95½	96	0	-0⅛	5.17
CIR. Int. W/W 3 93	125	†96	96¼	0	-2⅜	3.96
Credit Lyonnais 4¾ 00	100	†95½	96	-0¼	-0⅛	5.25
E.I.B 4⅝ 98	150	†95¼	95¾	0	-0⅜	5.24
Fletcher Chall. 4⅞ 98	150	†95½	96	+0¼	-0¼	5.47
Kobe City 4⅝ 98	150	†96⅞	97½	+0⅜	+0½	5.01
Leeds Perm. B/S. 4⅛ 93	200	†96¾	97¼	+0½	+0¼	4.92
Malaysia 5¼ 98	100	†95	96	+1⅜	0	5.88
Maxwell Comm. Crp. 5 95	150	†99	99½	+0½	-0½	5.13
Nat. Bk. Hungary 5½ 94	75	†96¾	97¼	-0¼	-0¼	6.12
Nationwide Ang. B/S. 4 93	200	†94½	95½	+0⅛	-0½	5.30
Nippon Telg. & Tel. 4¼ 95	200	†96¾	97	+0¼	0	4.81
Oesters. Ktbk. 5 03	75	†96	96½	+0⅛	-1⅛	5.38
Prov. NewFoundland 5 03	150	†98½	99	-0⅜	-1	5.12
Thailand 4⅝ 95	200	†94	94½	0	-0⅜	5.71
World Bank 5 03	150	†98¾	99	+0⅜	-0¼	5.11

Average price change... On day +0¼ on week -0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Belgium 5⅛ 92	55	101⅞	102⅛	+0⅛	0	4.80
Belgium 4⅝ 94	45	98¼	98½	+0⅛	+0⅛	4.97
Canada 4⅝ 92	80	98¼	99	+0¼	+0⅛	4.73
Elec. De France 5⅛ 94	20	100¾	101¼	+0⅛	+0⅛	4.90
Ireland 5⅛ 93	30	100	100½	0	-0¼	5.05
Norway 5⅛ 95	50	100¾	101⅛	+0⅛	-0⅛	4.95
Rep. of Italy 5¾ 92	150	102¾	103	+0⅛	-0¼	4.72
Sweden 4⅝ 93	50	98⅞	99⅛	+0⅛	-0⅛	4.88
World Bank 5½ 92	50	102½	102⅞	+0⅛	0	4.65

Average price change... On day +0⅛ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey Nat. BS. 10¼ 93 £	50	97⅜	97⅞	0	+0½	11.00
Alg. Bk. Ned. 5½ 92 FL	150	98⅝	99⅛	+0⅛	-0¼	5.91
Alg. Bk. Ned. 5¾ 93 FL	200	97¼	97¾	0	-0½	6.45
Amro Bank 6⅛ 92 FL	150	99¾	100⅜	-0¼	-0⅝	6.23
Aust. Ind. Dev. 12⅞ 93 A$	100	93⅜	93⅞	-0¼	-0⅜	14.86
Austria 7½ 94 ECU	100	97⅜	97⅞	-0⅛	-0¼	8.10
Barc. Bk. 10¼ 97 £	250	97⅜	97¾	0	+1¼	10.69
Barclays Aus 13½ 91 A$	100	97¼	97⅞	-0¼	-0¼	14.59
BP Capital 9¾ 93 £	100	96¼	96¾	0	+0⅜	10.80
British Airways 10 98 £	100	94½	94⅞	0	+1⅜	10.95
Buhrmann-Tet. 6⅜ 93 FL	100	100	100½	0	-0¼	6.30
Comm. Bk. Aust. 12⅝ 93A$	100	95½	96	-0½	0	13.62
Coop. Ctr. Rabo. 6¼ 93 FL	100	99	99½	0	-0¼	6.47
Coop. Ctr. Rabo. 6 92 FL	200	99⅛	99½	0	-0½	6.23
Denmark 7¾ 92 ECU	100	†99¼	99¾	-0¼	-0½	7.94
Dixons 11 95 £	90	†97¾	98¼	+0⅛	+1⅜	11.54
Dent. Bk. Aust. 12¾ 95 A$	70	97⅞	98⅛	+0¼	+0¼	13.19
Eastman Kodak 13 90 A$	100	96⅛	96½	-0⅜	+0½	15.68
E.I.B. 7 96 LFr	100	*†98¼	98¾	0	-0¼	7.33
Elec. France 10¼ 95 C$	125	†98⅜	98⅞	-0⅛	0	10.53
Euratom 7⅛ 97 ECU	145	94⅜	94⅞	-0⅛	-0⅛	8.31
Fed. Bus. Dv. Bk. 9¾ 92 C$	75	†97	97½	0	+0⅛	10.72
Ford Cr. Can. 10¾ 93 C$	100	†99¾	100¼	0	+0⅛	10.74
Ford Mtr. Cred. 7½ 91ECU	100	99¼	99¾	0	0	7.69
Gillette Can. 9⅝ 93 £	70	92	92⅝	-0¼	-0¼	11.87
G.M.A.C. 9¾ 93 C$	150	†95⅞	96⅜	-0½	-0⅜	10.90
G.M.A.C Aus. Fin. 14 90 A$	50	98¼	98⅝	-0½	-0¼	15.11
Halifax BS 10⅜ 97 £	100	97½	98⅛	+0⅛	+1⅞	10.79
Imp Chem Inds 10 03 £	100	95⅛	95⅝	0	+1¼	10.63
Inv. Industry Int. 10 93 £	60	96⅝	97⅛	0	+1	10.94
Lloyds Bank 10¼ 98 £	150	95⅛	95⅝	-0⅛	+1⅜	11.07
Lloyds Bank 11⅜ 98 £	100	100⅛	100½	+0⅛	+0⅜	11.30
Montreal Tst. 10¾ 93 C$	100	†99	99½	-0½	0	10.93
Nat. Aus. Bank 14 91 A$	50	100⅞	101⅜	0	0	13.50
Nationwide BS 10⅛ 93 £	75	96⅜	96¾	0	+1¼	11.19
Ned. Midd. Bank 6 92 FL	150	99⅜	99¾	0	-0½	6.17
New Zealand 9½ 93 £	100	95⅛	95⅝	+0¼	+0⅞	10.88
New Zealand 7¼ 93 ECU	200	99¼	99¾	0	-0½	7.89
Philips Gleoil. 6 93 FL	300	98⅝	99⅛	+0¼	0	6.28
Prudential Fin. 9¾ 07 £	150	90⅜	90⅞	+0¼	+1⅜	10.54
Royal Bk. Scot. 10⅝ 98 £	125	97¼	97¾	+0¼	+1⅝	11.11
Nippon Telg. & Tel. 6 95	400	100⅝	101⅛	0	0	6.04
Saskatchewan 10¼ 93	200	98½	99	0	+0⅜	10.57
S.D.R. 7¾ 95 ECU	90	97⅜	98⅛	-0⅛	-0¼	8.17
Sth. Aus. Gvt. Fin. 0 94 A$	100	†51½	52	+0¼	+0¼	14.24
Union Bk. Switz. 7½ 93	150	†99⅛	99⅝	-0¼	-0½	7.65
World Bank 5¾ 92 FL	100	98⅝	99	-0¼	-0⅜	6.23
World Bank 13⅞ 92 A$	100	†98½	99	0	+0¼	13.77
Zentrspk. 13¼ 93 A$	75	97⅞	98⅜	-0¼	-0⅜	13.80

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.75	99.80	21/01	10.99
Belgium 91 US	0	100.30	100.40	21/02	9
Britannia 5 93 £	0⅛	99.92	99.97	10/04	13
Chase Manhattan Crp. 91 US	†0¼	99.50	99.75	22/02	8.94
Citicorp 98 US	†0¼	98.20	98.45	28/02	9.62
Credit Foncier 98 US	.063	99.71	99.81	20/04	8.44
EEC 3 92 DM	†0	100.96	101.06	22/02	5.63
Halifax BS 94 £	.1	99.90	99.95	8/02	12.29
Invt. in Industry 94 £	0	99.97	100.06	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	100.06	100.11	13/04	13.37
Midland Bank 01 £	.1	97.44	98.06	11/02	11.41
Milk Mkt. Brd. 5 93 £	0¼	99.98	100.03	30/12	12.06
New Zealand 5 97 £	.07	100.14	100.24	20/02	12.16
State Bk. Nsw. 98 US	.188	100.44	100.53	13/02	8.87
Woolwich Equit. BS. 93 £	0⅛	99.94	99.99	13/04	13.37
Woolwich 5 95 £	0⅛	99.78	99.83	21/02	12.37

Average price change... On day +0.01 on week +0.02

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	111⅛	112⅛	-0⅛	12.08
Amer. Brands 7¾ 02 US	†9/87	56.7	114	115	-1	4.49
Ashikaga Bank 2⅛ 02 US	4/87	967.	161⅞	162⅞	+0⅝	9.85
Asics 5 92 DM	12/83	472.7	234½	235⅞	+0¼	3.88
CBS. Inc. 5 02 US	4/87	200.	95	96	-0¼	8.68
Comm. Credit 5½ 02 US	4/87	66.75	64½	65½	+0¼	54.96
Eng. China Clay 6½ 03 £	9/88	4.8	103⅜	104⅜	-0⅜	4.97
Fujitsu 3 99 US	5/84	1106.	243¼	244¼	+1	-1.54
Land Secs. 6¾ 02 £	6/87	6.72	93½	94½	+0⅛	8.91
MCA INC 5½ 02 US	†9/87	69.62	83⅜	84⅜	-0⅝	24.46
Minolta Camera 2¼ 94DM	2/86	1004.	105¼	106⅛	-0⅛	11.99
Mitsubishi Bk. 1¾ 02 US	9/87	3157.	142⅞	144½	+2	4.36
Mitsui trust 2⅝ 01 US	10/86	1903.	152¼	153⅛	+3⅛	7.21
Next plc 5¾ 03 £	11/87	4.3	99⅛	100⅛	0	217.32
Nishi Nipp. Bk. 2⅞ 03 US	4/88	804.	140¼	141¼	+9¼	19.12
Omron Tateisi 2⅝ 02 US	4/87	1310.	212½	213⅛	-3¼	-2.35
Ranks Hovis 4¾ 03 £	†1/88	3.5	113	114	+0½	2.65
Redland 7¼ 02 £	†1/87	5.4	94¼	95¼	+0⅜	10.51
Saatchi & Stchl. 6¾ 03 £	†10/89	4.41	98	99	-0½	19.67
Texas Inst. 2¾ 02 US	9/87	82.87	74⅜	75⅜	-0¼	48.17
W.R. Grace 6¼ 02 US	9/87	42.12	83	84	-0⅛	29.65

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

HKSE studies penalties for late deliveries

THE HONG Kong Stock Exchange is considering a new system for penalising brokers who are late in delivering share certificates, reports AP-DJ.

Mr Chan King Wa, head of operational services at the exchange, said the proposals would give settlement department staff the power to investigate complaints of late delivery and impose fines on brokers.

Exchange rules require brokers to settle trades within a day of their execution, but the lack of a computerised clearing system in the territory and difficulties in transferring share certificates from overseas can delay delivery for days.

Mr Chan said that under current rules the exchange staff must prepare a case against a broker accused of late delivery and present it to the exchange's disciplinary committee, which then decides what, if any, penalty to impose.

Mr John Seto, head of the exchange council's trading, settlements and commission sub-committee, blamed the problem of late delivery on the one-day settlement rule. He said the requirement was so impractical that some brokers just delivered shares at their own convenience.

Mr Seto said his subcommittee hoped to introduce settlement rules with enforceable penalties, but added that any change would take into account the difficulties brokers sometimes have delivering shares from overseas.

He said the settlement period would remain one day, but brokers would be given a grace period during which no penalties would be imposed. Mr Seto refused to disclose the length of the proposed grace period.

The introduction of a new discipline system for late delivery would be a step in the exchange's plans to revamp its entire settlement operations, he said.

The exchange is developing a computerised clearing system that is expected to begin partial operation in the third quarter of 1990. The clearing system is being designed to accommodate a longer, flexible settlement period.

Mr Chan said the proposed discipline system had to be approved by the exchange's council and the Government.

INTERNATIONAL COMPANIES AND FINANCE

Dollar optimism pushes Eurobond prices higher

By Norma Cohen

US FEDERAL Reserve Board chairman Alan Greenspan's optimism about the dollar and the US trade deficit, expressed during congressional testimony yesterday, gave a boost to the entire dollar Eurobond sector, with prices gaining ¼ to ⅜ in late afternoon trade.

Primary market activity was light, although a three-year $250m issue for IBM Credit Corp, lead-managed by Credit Suisse First Boston, managed to capture the gains in the dollar sector. The AAA-rated issue, carrying a coupon of 9⅝ per cent and priced at 101.075 per cent, was yielding 26 basis points over US Treasuries at launch.

Dealers noted that the issue offered a reasonable yield pick-up over two other IBM Credit dollar Eurobonds now outstanding, which yield seven basis points and 20 basis points over Treasuries respectively. Switching from seasoned issues was noted and the deal closed well inside its 1⅞ per cent fees at less 1.23 per cent bid.

Meanwhile, Commonwealth Bank of Australia tapped the Eurobond markets to raise regulatory capital with $300m in undated floating rate notes that offer investors the option of converting their securities to dated paper after five years.

The notes initially pay six basis points over London interbank offered rates (Libor). However, in 1994, and on each interest payment date thereafter, investors may convert their holding into a five-year floater paying a lower interest rate. The new rate will be the mean between Libor and London interbank bid rates (Libid).

INTERNATIONAL BONDS

While Australia is not formally a party to the 12-nation Cooke Committee on bank capital adequacy, Australia's banking authorities have insisted that domestic institutions meet similar standards. The government-owned CBA is constrained from raising primary capital because it cannot sell shares to the public.

However, the new floating rate notes are believed to meet Cooke Committee standards because they are backed by a private agreement under which the government will make up any losses by the bank. The government is also believed to be prepared to purchase from CBA those investors' undated notes that are converted into the dated, five-year securities.

Several Australian state-owned banks are believed to have privately-placed securities structured along the same lines through a *UK merchant bank*.

Meanwhile, a single new issue emerged in the equity warrant market, a $150m five-year issue for Topy Industries, manufacturer of specialty steel parts. The coupon was indicated at 4⅜ per cent and the issue was seen trading at a premium of 101.75 to 102.75 above its par issue price — more modest than that of most other recent issues.

The markets are bracing themselves for two $1bn deals to be launched tomorrow for Nippon Steel and Kobe Steel. Kobe Steel is expected to be launched in two separate *tranches, one in Asia and one in Europe.*

The European Investment Bank is also reported to be preparing to launch a Euroyen issue.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
C'wealth Bk Aust.‡♦	300	(a)	100	(a)	N/A	CSFB
IBM Credit Corp.♦	250	9⅝	101.075	1992	⅞/⅝	CSFB
Topy Indt.♦	150	(4⅜)	100	1993	1½/⅞	Nikko Secs.
Issue Update:						
Hankyu Dept.Stores♦♦(c)	200	4⅜	100	1993	2¼/1½	Daiwa Europe
Harris Co.Ltd.♦♦(c)	700	4⅛	100	1993	1½/⅞	Yamaichi Int.Europe
Nakayama Steel♦♦(d)	150	4½	100	1993	1½/⅞	Nomura Int.
D-MARKS						
ISS-Finans AS♦	140	6¼	101⅜	1994	1¾/⅞	Commerzbank AG
SWISS FRANCS						
Toa Electric Co.♦(b)	30	(1⅝)	(100)	1994	N/A	Banca D'Svizzera
Polly Peck Int.♦	100	6⅛	100	1995	2⅛	SG Warburg Soditic

*Not yet priced. **Private placement. ♦With equity warrants. ♦Convertible. ♦Final terms.(a) Coupon at 6 basis points over 6 month LIBOR. From Febuary 1994 and annually thereafter,the investor may exchange the note for a five year note paying the mean of the 6 month LIBOR.(b) Notes and warrants exercisable from 23/2/89 to 21/1/94. Call option for 9/8/91 at 101⅞ decreasing by ¼% semi-annually.(c)Coupon cut by ⅛%.(d)Coupon cut by ⅛%.

Europe falls behind in the securities race

Stephen Fidler on a survey of capital centres ahead of 1992

European capital markets are unprepared for the growth in demand for securities that they will face in the years to 1992 and the proposed dismantling of the barriers to capital flows.

This is one of the central forecasts of a report on the European Capital Markets from the accounting firm, Arthur Andersen, published today*. The report followed questionnaires sent to more than 1,000 participants in the capital markets and subsequent discussion and analysis by panels of industry experts in each European country, and advisory panels in the US and Japan.

"The risk for European markets is that they may miss the opportunity to serve this (increased) demand and achieve a size comparable with the other two large markets, the USA and Japan."

In the years to 1992, growth of European equity markets will slow to an annual 10 to 15 per cent, compared with the 30 per cent average from 1984-87. However, most markets are not prepared for this growth. "Trading mainly takes place in small national marketplaces, with low liquidity and inefficient clearing and settlement making them unattractive to the international flow of funds."

Eighty per cent of the respondents to the survey believe that international equity trading will be concentrated in the three largest markets: London, Tokyo and New York. This is expected to be largely over the counter — that is, not on official exchanges — dominated by sophisticated intermediaries and involving widespread block trading.

About 75 per cent believe the London over-the-counter market in international equities will grow, retaining its dominant position in Europe. Its advantages are said to be high liquidity, the ability of market makers to take large positions, the prospect for further development of the Euroequities market for new issues, and its lower brokerage commissions.

In the bond markets, respondents see less dramatic changes than in equities. But in Belgium, West Germany, France, Italy, Ireland and Spain, more than 70 per cent of respondents see government developing new instruments or new methods for placing them. Except for Italy, respondents believe most governments will not raise placements abroad.

Financial futures and options markets will develop in a number of countries, largely because of the rising influence of institutional investors and their need to hedge. Interest rate risk — rather than equity market or currency risk — will be the prime reason to hedge. More cross-border movement of funds is expected accentuate volatility.

However, the risk of this is low trading volumes and cost duplication, which respondents predict will be addressed by cooperation to avoid these risks.

The survey says however that the central role of securities exchanges is no longer assured. This is for three main reasons: internationalisation which is likely to move securities trading away from the domestic exchange, technology which allows trading to move away from the floor and changing regulations, such as the EC directive on the mutual recognition of listings due in 1990.

Exchanges are likely to respond to increased competition by improving both their automated systems and their images, developing markets in derivative products and establishing agreements with other exchanges.

"No European exchange is strong enough to stand alone. The exchanges must co-operate to face the challenges from intermediaries, information service providers and foreign exchanges. They can stimulate the European markets to achieve the size necessary to compete with Japan and the USA," the report concludes.

The survey reveals less optimism in Japan than in the US and Europe about the future of European equity markets. The Japanese "believe that European respondents underestimate the effect of shortcomings in European markets, which will limit Japanese investment. They see the fragmentation of European markets as a major problem."

There are three key weaknesses, according to the Japanese, to explain why Japanese money will not be flowing into Europe: Low liquidity due to fragmented markets, a lack of advanced infrastructure for trading, clearing and settlement and a lack of information about and low visibility of the markets.

US panellists, however, see market fragmentation as a weakness in the long term but an opportunity in the short-term, since it provides opportunities for arbitrage.

The forecast says the strictness of the regulation will determine the success of attempts to harmonise regulations. "If the standard is set at the highest level in Europe, ie, the UK, the regulatory environment may prove excessive for market participants."

It adds: "The cost of complying with the Financial Services Act is causing concern within the UK. European regulations will have to be below the standard of those in the UK, and UK legislation will need to be reformed to enable UK markets and intermediaries to compete effectively against continental European players."

Three taxes are regarded as constraints on capital market development. Over 60 per cent of respondents believe stamp duty will be restructured or may even disappear, although this varies from over 80 per cent for Swiss and French respondents to just over 55 per cent for German respondents. More than 50 per cent believe that Value-added tax will be applied to financial services, whilst more than 80 per cent believe that withholding taxes will continue to be applied.

Savings growth in the years to 1992 will lead to moderate growth in direct individual investment in securities, but indirect individual investments are expected to grow dramatically. There will be a shift away from traditional savings accounts.

One-third of respondents expect pension funds to grow by at least 21 per cent a year. In France and Italy, more than 40 per cent of the survey's respondents expect growth of at least 21 per cent a year for pension funds and life insurance companies.

Respondents believe that asset management is one of the few areas where the number of institutions will continue to grow. Elsewhere in the capital markets, increased market concentration is likely. Banks in many countries will have competitive advantages providing these services, partly because of their soundness, image and accessibility.

The increased savings in life insurance and pension funds are partly due to the ageing of the post-war "baby boom" generation. "Baby boomers are realising that the national social security programmes may not be able to support them as hoped for when they retire."

From the point of view of institutional investors, the fashion for giving business to big, international intermediaries has waned, and now investors seek effective order execution, high-quality personnel and efficient clearing and settlement.

**European Capital Markets: A strategic forecast. The Economist Publications Ltd. 40 Duke Street, London W1A 1DW. 202pp £50.*

New Zealand stockbrokers face up to hard times

By Dai Hayward in Wellington

A DECLARATION of default made this week by the stock exchange authorities against Ararimu Partners, a stockbroking firm associated with the collapsed Equiticorp International, has reduced the number of New Zealand brokers to 58 from the 86 in business at the time of the October 1987 stock markets crash.

Seven have defaulted on debts — the others have disappeared as a result of takeovers or mergers as firms struggle to survive in dramatically reduced share trading volume.

With little indication that individual investors will return to the market in any great numbers in the near future, further restructuring is predicted in the country's securities industry. In the last six months of 1988 daily turnover averaged NZ$5m (US$3.12m) compared with NZ$20m for the second half of 1987.

Many of the brokers' problems have been caused by bad debts. Mr Roger Gill, stock exchange chief executive, estimates that brokers were owed NZ$25m by investors who failed to settle their accounts at the end of the year.

In the past 12 months more than one-third of the 1,500 staff formerly employed by brokers have lost their jobs. In an effort to survive, several large firms have joined forces with Australian brokers, which have taken up to 50 per cent stakes in New Zealand firms.

Various other financial groups have been moving into the brokerage industry by taking over or acquiring an interest in leading firms. Intersuisse, for example, bought the established firm of Main Stockbrokers, then restructured and cut the company's activities.

Most of the defaulting firms were small ones specialising in equity trading. According to some leading brokers, the equity divisions of most firms are running at a loss, so the prospects for those specialising in this area are not optimistic.

Ararimu Partners, which traded in Auckland and the provincial city of Tauranga, is owned by Ararimu Holdings, which in turn is 57 per cent controlled by the family interests of Mr Allan Hawkins, Equiticorp chairman. It is one of the 94 entities associated with Equiticorp, for which the Government this week appointed statutory receivers.

AP-DJ adds: The Equiticorp collapse has not had a great effect on the New Zealand stock market — apart from the fall in its own share price — but the failure will be another blow to investor confidence. It would have an especially adverse impact on the property market, Mr David Lange, the Prime Minister, said yesterday.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Jan 24 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1989 to date	Mon Jan 23 Index No.	Fri Jan 20 Index No.	Thu Jan 19 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (208)	857.06	+0.9	10.93	4.16	11.21	0.32	849.31	844.98	838.16	742.72
2	Building Materials (28)	1074.30	+2.0	11.86	4.24	10.37	0.00	1053.38	1040.26	1034.80	980.84
3	Contracting, Construction (39)	1624.75	+1.7	12.20	3.76	10.69	0.00	1597.70	1593.00	1581.73	1463.39
4	Electricals (10)	2482.05	+0.5	8.72	4.55	13.83	0.00	2469.42	2448.75	2428.42	2044.35
5	Electronics (30)	1938.62	+0.3	9.67	3.37	13.38	0.00	1932.97	1951.41	1929.12	1511.27
6	Mechanical Engineering (55)	449.89	+0.4	10.59	4.17	11.50	0.03	448.24	443.57	440.79	389.24
8	Metals and Metal Forming (7)	489.30	+0.3	15.68	6.02	7.21	0.00	487.65	484.14	478.41	438.64
9	Motors (17)	284.34	+1.1	11.58	4.66	10.02	0.00	281.12	276.05	275.45	276.30
10	Other Industrial Materials (22)	1435.72	+0.8	9.59	4.38	12.37	3.28	1423.88	1414.57	1402.00	1255.69
21	CONSUMER GROUP (187)	1107.22	+1.1	9.38	3.79	13.35	0.67	1095.49	1090.76	1086.36	1039.75
22	Brewers and Distillers (22)	1212.16	+1.3	10.51	3.67	11.09	0.00	1197.16	1189.59	1186.84	981.03
25	Food Manufacturing (21)	996.27	+0.5	9.22	3.86	13.59	1.34	990.84	980.28	978.89	855.13
26	Food Retailing (15)	1955.01	+0.9	9.28	3.59	14.18	4.84	1938.03	1950.63	1924.87	2088.56
27	Health and Household (13)	1967.73	+1.3	6.82	2.75	16.81	0.20	1943.23	1933.59	1926.89	1775.13
29	Leisure (33)	1453.17	+0.8	8.34	3.59	15.16	0.00	1441.70	1428.39	1431.87	1188.13
31	Packaging & Paper (17)	569.02	+0.2	9.80	4.83	12.69	0.26	568.14	566.92	562.38	496.04
32	Publishing & Printing (18)	3481.28	+0.5	9.82	4.51	13.88	2.12	3462.79	3441.48	3437.80	3421.23
34	Stores (34)	742.77	+2.0	11.40	4.64	11.55	0.29	727.86	721.86	722.13	847.43
35	Textiles (14)	501.66	+0.5	13.88	5.67	8.63	0.00	499.39	501.21	498.43	593.65
40	OTHER GROUPS (92)	967.71	+0.9	10.63	4.44	11.54	0.07	959.33	956.22	958.45	865.73
41	Agencies (18)	1159.25	-0.5	8.28	2.54	15.24	0.00	1165.63	1152.63	1137.63	1096.43
42	Chemicals (22)	1108.98	+1.3	11.56	4.76	10.42	0.23	1094.77	1093.69	1090.31	1056.32
43	Conglomerates (12)	1349.99	+1.0	9.95	5.30	11.81	0.00	1336.77	1323.23	1318.29	1163.90
45	Shipping and Transport (12)	2041.80	+0.9	9.74	4.08	13.43	0.00	2022.91	2007.67	2011.26	1842.24
47	Telephone Networks (2)	1053.45	+0.9	11.15	4.46	11.66	0.00	1044.03	1047.17	1060.28	913.19
48	Miscellaneous (26)	1304.65	+0.8	10.92	4.20	10.41	0.27	1294.66	1298.43	1295.15	1153.42
49	INDUSTRIAL GROUP (487)	1020.85	+1.0	10.16	4.07	12.18	0.40	1011.02	1006.72	1003.26	925.73
51	Oil & Gas (13)	1869.88	-0.1	9.86	5.94	12.97	0.00	1871.35	1866.70	1840.97	1741.40
59	500 SHARE INDEX (500)	1092.99	+0.8	10.12	4.33	12.28	0.37	1084.03	1079.69	1074.42	994.86
61	FINANCIAL GROUP (126)	719.99	+0.8	–	4.95	–	0.15	714.22	709.83	711.46	660.25
62	Banks (8)	712.05	+0.4	20.13	6.15	6.66	0.00	708.98	704.92	706.01	671.67
65	Insurance (Life) (8)	1036.61	—	–	5.20	–	0.00	1037.07	1017.76	1013.79	987.61
66	Insurance (Composite) (7)	571.46	+1.9	–	5.47	–	0.00	560.99	557.49	559.22	509.35
67	Insurance (Brokers) (7)	974.00	+0.1	8.99	6.67	13.90	0.00	973.10	975.03	962.75	934.56
68	Merchant Banks (11)	331.10	+0.9	–	4.53	–	0.00	328.26	329.95	330.39	346.74
69	Property (53)	1257.78	+1.0	5.76	2.67	22.12	0.05	1245.24	1238.39	1258.25	1020.39
70	Other Financial (32)	368.01	+1.1	9.48	5.46	13.16	0.86	364.15	363.62	362.27	392.81
71	Investment Trusts (76)	1002.00	+0.4	–	3.05	–	0.51	998.33	993.96	993.71	842.93
81	Mining Finance (2)	611.32	+0.1	10.90	3.42	11.14	0.00	610.64	613.18	613.03	420.16
91	Overseas Traders (8)	1334.01	+1.0	8.78	4.74	13.20	0.00	1320.99	1318.10	1308.45	1002.03
99	ALL-SHARE INDEX (712)	1001.08	+0.8	–	4.37	–	0.31	993.14	988.99	985.45	984.39

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 23	Jan 20	Jan 19	Jan 18	Jan 17	Year ago
FT-SE 100 SHARE INDEX‡	1941.1	+16.4	1941.3	1921.9	1924.7	1917.5	1910.8	1892.1	1867.7	1767.3

FIXED INTEREST

	PRICE INDICES	Tue Jan 24	Day's change %	Mon Jan 23	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	118.81	+0.02	118.79	–	1.20
2	5-15 years	136.02	—	136.02	–	1.22
3	Over 15 years	150.00	—	150.00	–	0.00
4	Irredeemables	171.69	+0.24	171.28	–	0.00
5	All stocks	133.48	+0.01	133.46	–	1.08
	Index-Linked					
6	5 years	131.27	+0.27	130.93	–	0.00
7	Over 5 years	128.27	+0.04	128.21	–	0.42
8	All stocks	128.31	+0.06	128.22	–	0.38
9	Debentures & Loans	116.40	+0.11	116.27	–	0.26
10	Preference	88.65	+0.15	88.51	–	0.17

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jan 24	Mon Jan 23	Year ago (approx.)
	British Government				
1	Low	5 years	9.19	9.15	8.89
2	Coupons	15 years	8.91	8.89	9.39
3		25 years	8.84	8.84	9.26
4	Medium	5 years	10.15	10.13	9.44
5	Coupons	15 years	9.39	9.39	9.59
6		25 years	9.84	9.85	9.42
7	High	5 years	10.41	10.40	9.53
8	Coupons	15 years	9.55	9.55	9.73
9		25 years	9.14	9.16	9.46
10	Irredeemables†		8.87	8.89	9.22
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.41	3.53	2.41
12	Inflation rate 5%	Over 5 yrs.	3.69	3.70	4.00
13	Inflation rate 10%	5 yrs.	2.11	2.22	1.45
14	Inflation rate 10%	Over 5 yrs.	3.52	3.52	3.83
15	Debs &	5 years	11.71	11.70	10.86
16	Loans	15 years	11.32	11.32	10.81
17		25 years	10.97	10.99	10.81
18	Preference†		10.15	10.16	10.56

‡Opening index 1922.7; 10 am 1930.0; 11 am 1936.6; Noon 1934.4; 1 pm 1935.9; 2 pm 1936.2; 3 pm 1936.6; 4 pm 1937.9; 4.05 pm 1937.7 (a) 5.01pm (b) 9.05am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p. CONSTITUENT CHANGES: Corah (35) has been deleted and replaced by TV-am (29).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	59	38	34
Corporations, Dominion and Foreign Bonds	4	8	39
Industrials	524	298	765
Financial and Properties	255	99	316
Oils	22	30	48
Plantations	2	1	9
Mines	47	34	105
Others	36	115	81
Totals	929	623	1,397

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
125	F.P.	[illegible]	[illegible]	[illegible]	British Steel 50p	70	[illegible]	[illegible]	[illegible]	5.5	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.8
545	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.4
245	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.6
♦	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–
$117	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.6
$140	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.3
♦	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	74.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price £	+ or -
100	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
100	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1
100	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
100	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+1
100	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-3
‡100	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
100	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
100	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
–	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
$100	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
†100	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -
93	Nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+3
130	Nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-½
20	Nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
48	Nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
110	Nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

[illegible]

TRADITIONAL OPTIONS

- First Dealings Jan 23
- Last Dealings Feb 3
- Last Declarations May 4
- For settlement May 15

For rate indications see end of London Share Service

Calls in Sun Alliance, Lloyds Chem, Blacks Leis, Explaura Hldgs, Control Secs, Br Steel, Lonrho, Unigate, Wimpey, Blackwood Hodge, Lloyds Bk, Amal Fin, Norfolk Cap. Put in Charter Cons P/C in Colorvision, Storehouse.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*472)	460	12	32	45	1	11	18
	500	1	12½	25	30	32	37
Brit. Airways (*176)	160	17	25	25	½	4	7
	180	1	10	13	6	9	13
Brit. & Comm. (*236)	220	16	25	34	1	6	10
	240	2	13	18	7	15	18
B.P. (*267)	260	8	12½	21	½	10	12
	280	1	4½	12½	13	23	25
British Steel (*70)	50	20¼	21½	23¼	¼	¼	½
	60	10¼	12¾	14	¼	1	2½
	70	1	5	6½	¾	3¼	6¼
Bass (*878)	850	30	65	95	2	18	27
	900	3	33	62	27	35	42
Cable & Wire (*396)	390	8	27	41	2	13	18
	420	1	12	24	25	28	35
Cons. Gold (*1281)	1250	45	120	160	6	55	80
	1300	8	85	130	22	80	110
	1350	2	67	–	70	110	–
Courtaulds (*287)	280	8	23	31	2½	10	18
	300	1½	13	20	14	20	30
Com. Union (*375)	360	16	21	38	2	11	14
	390	½	8½	–	18	30	–
G.K.N. (*332)	330	4	17	28	3	17	20
	360	½	5	15	30	39	44
Grand Met. (*475)	460	–	–	47	–	–	18
	493	1	12	–	20	32	–
I.C.I. (*1088)	1050	38	60	88	2½	24	28
	1100	4	30	58	19	47	52
Jaguar (*279)	260	19	27	37	¼	9	13
	280	2	14	25	3	17	22
	300	½	6½	–	23	30	–
Land Securities (*584)	500	85	100	110	1	6	8
	550	35	55	70	1	11	18
	600	2	23	40	18	25	35
Marks & Spencer (*165)	140	25	31	33	½	1	4
	160	5½	12½	17	½	4½	8½
	180	¼	4	6½	16	17	18
STC (*296)	280	17	28	37	1½	9	14
	300	3	15	26	7	16	22
Sainsbury (*217)	200	18	26	31	1	3½	6
	220	1½	11	16	5	10	14
Shell Trans. (*363)	350	14	23	32	1	8	10
	367	2	12	–	6	17	–
	390	–	4	12	–	35	35
Storehouse (*189)	180	10	23	32	1	10	18
	200	1	13	22	12	20	27
Trafalgar House (*321)	300	23	33	42	1½	6	11
	330	2	13	22	11	16	23
Utd.Biscuits (*311)	300	12	31	40	¾	13	19
	330	1	16	27	22	29	34
Ultramar (*309)	300	–	–	47	–	–	28
	324	2	–	–	17	–	–
Woolworth (*267)	260	8	20	26	3	10	14
	280	1	10	14	16	18	24

Option		Apr	Jul	Oct	Apr	Jul	Oct
Boots (*245)	200	52	58	–	–	1	3
	220	33	42	47	3	6	8½
	240	16½	25	31	7	12	15

Option		Jan	Apr	Aug	Jan	Apr	Aug
GEC (*207)	200	7	16	26	1½	6½	11
	220	1	7	15	15	17½	23

Option		Jan	Apr	Jun	Jan	Apr	Jun
Rolls-Royce (*151)	140	11½	17	20	½	3	6
	160	½	6	9	9½	12½	16
TSB (*116)	100	16½	17	19	½	1½	2
	110	6½	8½	10½	1	3	4
	120	¾	4	5½	5	8	8

Option		Feb	May	Apr	Feb	May	Apr
Ladbroke (*481)	460	28	40	52	4½	8	14
	500	10	20	30	24	26	31

Option		Feb	May	Aug	Feb	May	Aug
Brit Aero (*486)	460	35	43	61	6	18	22
	500	11	22	38	24	39	43
BAA (*275)	260	19	30	35	2	4	9
	280	6	16	20	9	13	15
BAT Inds (*494)	460	40	51	61	2	11	15
	500	15	25	37	15½	28	31
Brit. Telecom (*267)	260	12	24	27	3	5½	9
	280	3	10	16	15	18	22
Cadbury Schweppes (*349)	330	28	39	51	4½	14	18
	360	9½	23	34	18	28	32
Guinness (*368)	300	72	78	86	1	2	4
	330	42	50	58	2	5	9
	360	16	26	36	8	12	16
LASMO (*472)	420	60	78	92	5	16	22
	460	30	50	69	50	32	40
	500	13	33	50	40	52	62
P. & O. (*611)	500	118	128	133	1½	4	6
	550	68	80	90	4	10	13
	600	28	42	53	11	28	32
Pilkington (*234)	200	35	44	46	2	4	6
	220	17	26	31	4	8	11
	240	4½	13	17	14	15	21

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Plessey (*241)	200	44	53	60	½	3½	6
	220	24	36	43	2½	6	11
	240	11½	21	28	9	13	18
Prudential (*171)	140	35	38	39	1	1½	2½
	160	16	20	21	1½	4	5
	180	4	7	11	10	15	16
Racal (*324)	300	30	44	48	4	9	14
	330	10	24	29	14	21	30
	360	3	11	–	38	40	–
R.T.Z. (*480)	460	28	45	53	6	14	23
	500	7	20	32	25	37	43

Option		Feb	May	Sep	Feb	May	Sep
Vaal Reefs (*$77)	70	9	11	13	2½	5½	8
	80	2	5½	8	9	11	14

Option		Mar.	Jun.	Sep.	Mar.	Jun.	Sep.
Amstrad (*164)	160	13½	21	30	7	11	14
	180	6	11	18	20	23	24
Barclays (*435)	390	55	57	67	3	5	9
	420	28	31	42	11	12	18
	460	5	11	18	40	40	42
Blue Circle (*468)	460	30	36	52	11	24	28
	500	11	19	32	36	46	52
Dixons (*146)	140	15	21	24	5½	8	13
	160	7	11	–	18	20	–
Glaxo (*1119)	1100	65	102	138	27	41	48
	1150	38	73	108	50	65	70
Hawker Sidd. (*598)	500	113	123	130	1½	4	9
	550	68	80	94	6	15	20
Hillsdown (*258)	240	27	33	37	3	5	7½
	260	13	20	25	11	14	15
Lonrho (*345)	330	27	44	52	15	23	30
	360	14	30	39	32	42	52
Midland Bk (*446)	420	33	40	45	10	11	17
	460	6	15	20	32	33	35
Sears (*121)	120	8	11	16	5½	9	11
	130	3½	8	–	11	15	–
Trusthouse Forte (*262)	260	11½	25	30	13	15	17½
	280	5¼	12½	19	27	28	30
Thorn EMI (*689)	650	57	68	77	3	11	19
	700	23	38	45	27	35	40
Wellcome (*475)	460	35	52	67	12	18	22
	500	13	30	–	32	38	–

Option		Jan.	Mar.	Jun.	Jan.	Mar.	Jun.
British Gas (*172)	160	12	16½	21	¼	2	3½
	180	½	3½	8	9	10½	12

Option		Jan.			Jan.		
RHM (*388)	360	30	–	–	½	–	–
	390	4	–	–	6½	–	–

Option		Mar.	Jul.	Oct.	Mar.	Jul.	Oct.
Beecham (*514)	500	35	54	68	11	21	24
	550	11	29	42	38	46	48
Unilever (*509)	460	60	71	85	2	6	10
	500	26	40	57	10	18	29

Option		Mar.	May	Aug.	Mar.	May	Aug.
BTR (*325)	300	33	34	41	2	5¼	7
	330	10	13	24	11	17	18
Hanson (*166)	160	10¼	14	17	2¼	3¼	5½
	180	2	4	7	15	15½	18
Tesco (*150)	140	15	16	19	2	4	6
	160	3	5	10	14	14	17

Option		Jan.	Mar.		Jan.	Mar.	
Enterprise Oil (*514)	500	17	47	–	2	22	–
	550	½	20	–	38	45	–
Scot. & Newcastle (*405)	390	15	36	–	½	10	–
	420	1½	20	–	17	24	–
	460	½	7½	–	57	59	–

Option		Feb.			Feb.		
Conv. 9½% 2005 (*102)	100	2½	–	–	[illegible]	–	–
	102	[illegible]	–	–	[illegible]	–	–
	104	[illegible]	–	–	[illegible]	–	–
Tr. 12% 1995 (*107)	106	–	–	–	[illegible]	–	–
	110	[illegible]	–	–	–	–	–
	112	[illegible]	–	–	–	–	–

Option		Calls Jan	Calls Feb	Calls Mar	Calls May	Puts Jan	Puts Feb	Puts Mar	Puts May
FT-SE Index (*1938)	1650	291	–	–	–	½	–	–	–
	1700	241	253	265	273	½	1	2½	4
	1750	191	204	218	227	½	2	4	7
	1800	141	154	170	182	½	4	8	11
	1850	91	108	123	138	1	8	12	17
	1900	44	66	84	98	4½	17	24	30
	1950	10	34	52	62	23	35	45	49
	2000	2½	13	26	38	68	70	75	78

January 24 Total Contracts 48,747 Calls 37,542 Puts 11,205
FT-SE Index Calls 3349 Puts 1977
*Underlying security price.

UK COMPANY NEWS

Bear Brand seeks £5.72m in 2-for-3 rights issue

By Nikki Tait

BEAR BRAND, the hosiery business which was spun off as a separate quoted company when Tranwood Group "demerged" last June, is asking shareholders to put up £5.72m via a two-for-three rights issue.

The cash call brings events at the company full circle.

It was in early 1986 that a group of investors headed by Mr Nick Oppenheim, now chairman of Bear Brand, took control of the hosiery company, then called Tranwood, and long seen as a "shell".

A rights issue at 11p a share accompanied their own subscription for new shares, raising a total of £1.5m.

Tranwood's first move was an abortive bid for Aitken Hume, the troubled financial services group. It subsequently acquired Unicorp, Earl, the corporate finance business headed by Mr Peter Earl, again tapping shareholders in a £10.2m rights issue.

In the spring of 1988, however, Tranwood announced plans to "demerge" the financial services business from the original hosiery operations.

The hosiery operation remained in the existing Tranwood company, which was renamed Bear Brand, while the financial services operations took the Tranwood name and applied to have its shares quoted on the USM.

Existing shareholders were offered shares in the new Tranwood company pro rata to their existing holdings.

This time round, the Bear Brand management is again talking of diversification on the back of the cash call, but is not specifying where attention will be centred.

"Nothing is set, even in wet concrete", comments Mr Oppenheim.

The one area ruled out is financial services, although this exclusion would not encompass the property field - which may be a possible expansion avenue.

The rights issue involves 63.6m new shares, for which shareholders can subscribe at 9p apiece - 6p initially and a further 3p in July 1989. The issue will raise £5.72m, but expenses will total some £350,000. It is being underwritten by Tranwood. Yesterday, Bear Brand shares dropped 1¼p to 9½p.

News of the rights issue came as Bear Brand unveiled a sharp deterioration in trading figures for its hosiery business. For the 12 months to end December, the company reports pre-tax profits of £186,000 against £1.03m in 1987. However, this figure is scored after taking in the results from the financial services businesses up to the date of demerger.

At the trading level, the financial services interests contributed £444,000 on sales of £1.09m, while Bear Brand turned a £258,000 loss on sales of £7.64m. In 1987, the comparable figures from the Bear Brand business were £447,000 and £7.46m. No final dividend is being paid.

The company says that the margins came under pressure. Various management changes and reorganisation moves have taken place.

Spring awakening for budding plant hire

Vanessa Houlder on the increasing separation of plant from construction companies

IF EVER there was a need to illustrate the far-reaching changes in the plant hire industry in recent years, Mr Dave Hollingworth might be a case in point.

Just a year ago he was employed by a family-owned builder in Loughborough, which like many building companies had its own plant department. Now, like many others, it has moved away from owning its own plant towards a greater reliance on plant hire companies.

One such is Sheriff Holdings, where Mr Hollingworth now works supplying the armoury of equipment for scraping, digging, demolishing and lifting needed by local builders and contractors in Northampton.

The trend for builders to buy less of their own equipment has, he says, compounded the effect of the general surge in demand from the booming construction industry. "During the course of last year the amount of work was incredible," he said.

These factors form a favourable background for a wave of corporate activity that has recently hit the industry. Since December, three companies - Venture Plant Group, Sheriff Holdings, and Torex Hire - have announced that they are joining the Unlisted Securities Market.

Furthermore, acquisitions within the sector have continued at a brisk pace. BET, the support services company, has bought 25 plant hire companies since 1982. Ashtead Group, the USM-quoted plant hire group, has made seven acquisitions since 1984.

Even the Glasgow-based Hewden Stuart, which makes a point of not paying inflated prices for good will, has made three acquisitions in the past two years.

Meanwhile, at the bottom end of the scale, entrepreneurial operators continue to break away from existing companies and set up on their own.

The key influence on this spurt of activity is undoubtedly the phasing-out of capital allowances between 1984 and 1986, which eliminated the incentive for many contractors to buy new plant. "The move to hiring plant has been a dramatic one and is irreversible," says Mr Peter Lewis, chairman of Ashtead Group.

As a result, the next few years will see the share of the plant market taken by hire companies steadily increase from its current level of about 40 per cent, according to Mr Richard Hopewell at SBCI Savory Milln.

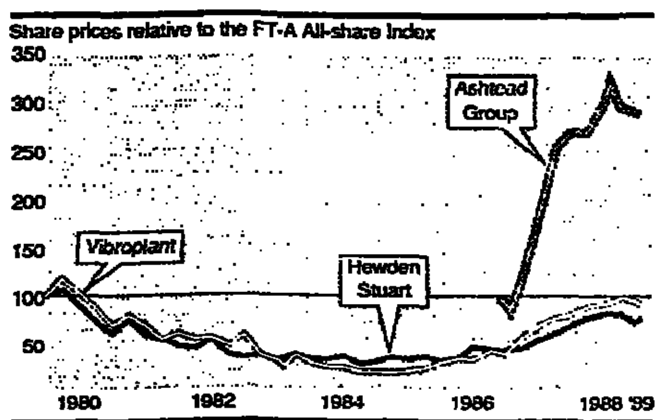
This trend has already meant that in-house plant departments play a less important role for construction companies. And although there are still a number of important hire operations within construction companies - Abbey and Y J Lovell are key examples - there are an increasing number of sales of plant hire divisions from other companies.

Take Venture Plant, for example, which came to the USM via a placing in December which valued the company at £12.1m. That was created by a management buy-out from the Tilbury Group, the contracting and property company, in October 1987. Likewise Keyplant, a plant hire business belonging to Norwest Holst, was sold to Ashtead in 1987.

The upturn in demand triggered by the abolition of allowances was a highly welcome factor for an industry severely battered by the recession. The collapse in demand from the construction industry coincided with surplus capacity from the plant hire companies and rates were cut to suicidal levels. In 1981-2, Hewden Stuart and Vibroplant, both stalwarts of the industry, lurched briefly into the red.

The recovery in the industry is one factor behind the stampede of companies moving onto the stock market. Another is the highly fragmented nature of the plant hire industry, estimated to have a turnover of about £1.5bn. There are more than 1000 plant hire companies in the UK and even the largest, Hewden Stuart, has a mere 7 per cent market share.

Accordingly, the newcomers are eager to be able to issue paper which will help them



join in the scrabble for acquisitions. The consolidation of the industry may be hastened, in the view of Ms Catherine Stratton of Greig Middleton, by higher interest rates, which could hit some of the smaller, highly-leveraged outfits.

Another powerful influence on the plant hire sector has been the growth in management contracting and the greater use of subcontractors - who have been less willing or able to buy their own plant. In addition, budget restraints have increasingly prompted local government to cut their maintenance costs by hiring plant.

All this emphasises the trend towards larger and more sophisticated companies which can offer a larger range of higher quality plant and a better service - such as the same-day replacement of faulty equipment. "Traditionally, service from the smaller concerns - on the lines of one man in a shed hiring out a few bits of plant has been pretty poor," says Mr Hopewell. "The advent of management contracting and the increasing use of penalty clauses has made reliability and service more important than price."

This theme is highlighted by Mr Richard Dunn, chairman of Sheriff, which has come to the market in a placing capitalising the company at £7.28m placing this week. "The industry is becoming more polished and professional. The little corner shop operations are disappearing. They are not organised enough."

In all this euphoria, what could go wrong for the larger, more efficient companies? Mr Hopewell points to the uncertainty in the construction industry. "If there was a downturn in volumes, the increasing demand for quality and service might go out of the window and an emphasis on price cutting might return."

The plant hire industry, says Mr Hopewell, is tightly geared to construction volumes. "They are currently getting utilisation rates of 80 or 90 per cent. If those dropped to 70 per cent the effect would be severe," he says.

His concern about this possible downturn is particularly focused on Ashtead Group. The City reputation and share price of Ashtead has soared since it joined the market in 1986, thanks in large part to the success of its innovative profit-sharing scheme. "If we did see a drop in volumes it might hit pay packets so Ashtead might come in for a few more problems than others," he says.

But the hire companies radiate optimism that there will not be a downturn. A decline in the construction industry has traditionally meant more work for plant hire industry, for at least the first year of the downturn. "Between 1965 and 1980 we were able to outride all stop-go policies with our profits increasing," says Mr Mathew Goodwin, chairman of Hewden Stuart.

That argument is reinforced by Mr Dunn of Sheriff. "We found that when the building industry was in decline locally, we almost enjoyed a boom," he said.

But this optimism is not wholly shared throughout the industry. Mr Ben Longrigg is chairman of Torex Hire, a £6m plant hire company based in Cornwall and Devon, which is coming to the USM in the next fortnight. "Higher interest rates will affect major contracts, although there will be a two-year delay," he says. There is, he adds, a possibility that profits will be hit in the early 1990s.

In any case, history suggests that this argument cannot be pushed too far. Back in 1980, for example, one commentator cited this logic to argue that Richards & Wallington, the UK's largest crane hire group, had "a unique resilience to downturns in the economic cycle". Eighteen months later the company was in receivership.

Reconstruction for Memcom

By Philip Coggan

MEMCOM INTERNATIONAL Holdings, the USM-quoted electronic filing systems group, has put together a £1.7m reconstruction package following a further period of losses.

The package involves a 7-for-5 rights issue at 10p, a reduction in the par value of shares and a change of name to the Telford Group.

Memcom joined the USM in 1985 but shortly afterwards the Middle East, a major source of orders for the company, was hit by weakness in the oil price.

Last year, the company planned a rights issue but the offer was postponed when a director allegedly defaulted on his underwriting obligations. Memcom's shares were among the worst performing on the USM last year.

Memcom had passed the seven month limit, set by the Stock Exchange, for producing its results for the year to April 30 1988. But yesterday the group announced a pre-tax loss of £1m in that year, compared with a loss of £1.67m in the previous 12 months.

The company also revealed that in the first half of the current year (the six months to October 31), it incurred pre-tax losses of £361,000.

Memcom has accumulated a near-£5m deficit on its profit and loss account. It proposes to apply to the High Court for a reduction in the nominal value of its shares from 10p to 2½p. This will allow the deficit on the p&l to be written off against the share premium account.

The rights issue is designed to provide the group with working capital to fund a substantial marketing effort. The group has recently completed a pilot order from a major customer for the refurbishment of photocopiers, and an extension and expansion of this contract is currently under negotiation. A new range of optical discs is being launched under the Mem-O-Scan name.

Energy Conversion Devices, a major licensor of product to Memcom, has agreed to waive £147,000 and cut the minimum annual royalty payment in return for 500,000 shares and an 18 month option over a further 500,000 shares at 17p each. Memcom shares closed 1p down at 12p yesterday.

The proposals will need to be approved by an extraordinary meeting on February 16.

McKay Securities raises profits by 16% to £1.7m

McKAY SECURITIES, property investor and developer, raised pre-tax profits by 16 per cent from £1.43m to £1.66m in the six months to September 30.

Gross rents and service charges received rose 28 per cent to £2.67m (£2.07m). But direct property outgoings jumped from £839,000 to £1.33m. Tax took £481,000 (£388,000) and interest and outgoings on properties under development were £299,000 (£126,000).

Earnings per 20p share came out at 2.1p (4.7p). The interim dividend is raised to 2.5p (2.3p) and the directors expect to pay a final of not less than that figure.

Laird expands US printing activities

By Nikki Tait

Laird Group, the diversified sealing systems, engineering and transport company, is buying a 35 per cent interest in Panel Prints, a US-based speciality printing company, for $12.9m (£7.24m).

Laird is also acquiring an option to buy the remaining 65 per cent by January 1990.

The purchase price for the outstanding shares would be pitched at either $25.8m or seven times audited pre-tax profits for the year to end-July 1989 - whichever is greater.

Yesterday, Laird said that printing/packaging had been targeted as one of three areas for expansion - the others being automotive components and building products.

It acquired a speciality packaging business, called Etta Packaging, in the US just over two years ago.

Blick confident after increase to £4.72m

By John Thornhill

BLICK, the Swindon-based supplier of clocking-in equipment and radio pagers, lifted pre-tax profits by 21 per cent from £3.93m to £4.72m in the year to September 30.

This was achieved on a turnover which advanced 18 per cent from £16.39m to £19.28m. Earnings per share rose by 21 per cent to 16.62p (13.79p).

Mr Alan Elliot, chairman, said he remained confident that progress would continue, provided that there was no material downturn in the economy. He re-affirmed his commitment to increase earnings per share and dividends.

A final dividend of 3.6p (2.6p) was proposed, making a total of 5.6p (4.2p).

Revenue from the customer base, to which equipment is rented, supplied and maintained, rose to £8.04m (£6.74m) and accounted for the majority of total profits.

This increase reflected the acquisition of Yorkshire Telephone Systems in November

Alan Elliot: committed to earnings and dividend growth

1987, a 9.97 per cent inflation adjustment of rental contracts in line with the Electronic and Electrical Workers Index, and organic growth.

Equipment sales grew from £9.65m to £11.24m.

Programs at Work (PAW), a computer software business specialising in time control systems, was acquired in June and achieved its forecast of £300,000 pre-tax profit for the 15 months to September 30.

A range of computerised time recording equipment is being developed linking PAW's software with the hardware systems of the Japanese Amano Corporation, Blick's principal supplier in this field.

Blick Communications, the paging manufacturing company based in Exeter, nearly doubled pre-tax profits in a competitive market. However, the move to a new factory will cause some disruption in the first half of 1989.

The share price closed up 5p at 216p.

• COMMENT

This encouraging performance was a shade better than expected. Acquisitions made some contribution to growth, but *most came from strong organic development*. The rental side has proved to be a good recurring-revenue base, allowing the company to invest in product development and acquisitions. With cash in hand, a modest acquisitions programme looks imminent. Blick's wily financial arrangements will help to protect it from a possible drop in demand this year. Its rental contracts should rise with, or above, the general rate of inflation and its fixed sterling rate arrangement with Amano is seen as desirable. Pre-tax profits look set to increase to about £5.5m, giving a prospective p/e of 11.2. Blick has been a fairly predictable solid investment and there is little reason to believe it will not continue to be so.

A change of image to woo the customers

Anthony Moreton on why the Bank of Wales needs a higher profile

THE TROUBLE with the Bank of Wales, Mr Eric Crawford discovered last January when he arrived in Cardiff to take over as chief executive, was that too few people in the principality knew it existed.

After a career spent with Midland Bank, Mr Crawford *had come at a crucial time in the Welsh bank's history*. The Bank of Wales had been created in 1972 by Sir Julian Hodge, the Welsh financier now living in the Channel Islands, who always wanted to see Cardiff develop as a financial centre with a measure of independence from the City of London.

As a bank, it had evolved out of the Hodge empire but the Bank of England was for a long time uneasy about its provenance and insisted that it be called the Commercial Bank of Wales. It was not until the early 1980s that the word "commercial" was dropped from the title and not until two years ago that the Bank of Scotland took a controlling interest.

The Bank of England's insistence on the incorporation of the word "commercial" in the title was not all that great a hindrance because the Hodge philosophy had always been to woo industry rather than the *individual depositor and it is* one that Mr Crawford positively backs.

"We have no desire to be a cross-pavement bank," he says. "It simply does not make sense to take on the big high street banks *on their own territory*. We see ourselves as occupying the ground somewhere between the high street banks and the merchant banks."

"What we can do most effectively is supply the niche market that exists for specialist services in Wales," he adds. "The high street banks simply offer too many services for managers to be on top of all of them."

He believes that "by developing the sort of services that industry and the high income customer - in whom we are very interested - needs, we can win a good share of the business in Wales."

That niche business is personified by Mr Gareth Owen who joined the bank as treasurer in 1988.

"If an industrialist comes to the bank seeking access to the money markets then I can quote him a rate on the spot," he says. "If he goes to one of the other banks, his request is almost certain to be referred up, depending on the amount he wants, perhaps to regional headquarters or even to London."

Mr Owen contrasts this with the Bank of Wales where the industrialist "does not even have to come in. He can pick up the phone and get a definitive rate immediately. With that sort of service we believe *we can out-gun the opposition.*"

Before Mr Owen can begin to start developing this service, though, his boss has a more pressing difficulty. The Bank of Wales has an image problem: too few people are even aware of its existence, let alone the services it supplies. This lack of awareness exists surprisingly among those in industry whom it had seen as its main market.

Therefore Mr Crawford early on set himself the task of finding out what the public actually thought of the bank. Research undertaken for the bank by City Research Associates found that too few people even knew about it, fewer still knew it was a subsidiary of the Bank of Scotland and even fewer had heard of the Bank of Scotland. (Given the latter's low profile in southern Britain and the fact that there is a prominent branch of the unrelated Royal Bank of Scotland in the centre of Cardiff, this last piece of incomprehension is perhaps understandable).

Mr Crawford responded to the research findings by identifying those niches he wanted to service and then building up teams to man them. The key appointment has been that of Mr Ken Cassidy, another recruit like Mr Crawford himself from the Midland, to head *international services*.

The Bank of Wales intends to offer a full international operation for its customers since most companies in Wales appear to channel their needs to banks and other organisations outside the country.

Mr Crawford believes that doing things the existing way "leads to delay and frustration." There are viable, profitable businesses with potential for growth in Wales, he says, "and our new team is going to forge strong links with them."

Two other crucial appointments were those of Mr Pat Coxen, to head a city office within the bank, and Mr Peter Jones as managing director of Arian Financial Planning, the bank's new joint venture into independent financial advice. This latter group will aim particularly at the pensions and life assurance market.

Nor is this the end of the reshuffle. Mr Crawford hints that further innovations will be coming in the near future.

His moves to replicate in Cardiff the innovatory approach won for itself by the Bank of Scotland have been helped by the recent growth of Cardiff as a business centre.

Last year, Rothschild and National Provident Institution chose Cardiff for their operations, Banque Nationale de Paris expanded its office in the city and Trustee Savings Bank went to nearby Newport. With such interest in South Wales it is now easy to attract high-calibre staff.

That attraction will be made *even easier this spring when* the Bank of Wales moves in to the most important office block to be opened in years. The bank has just taken the keys to what will be called the Bank of Wales building, facing Cardiff castle, and is about to begin the process of fitting-out.

"There is an air of growth here in Cardiff that was not apparent even five years ago," Mr Crawford says. "It is nice to know that we are now firmly established as part of that growth."

UK COMPANY NEWS

Expamet in $87m buy and £13.5m cash call

By Philip Coggan

EXPAMET INTERNATIONAL, the building products and security group, is substantially expanding in the US via a $87m (£49m) recommended offer for Radionics, a NASDAQ-quoted security alarm components supplier.

The offer will be part financed by a £13.5m one-for-four rights issue. The UK company also estimated yesterday that its pre-tax profits for the year to December 31 1988 would be not less than £10.2m and that the directors expect to recommend a final dividend of 5.35p (4.5p), making a total of 8.75p (7.5p).

Expamet has agreed to buy a 52.6 per cent stake in Radionics from its principal shareholders and to make a cash tender offer, at $20 per share, for the rest of the equity.

Radionics, based in California, made pre-tax profits of $5.7m in 1987 and had made profits of $4.8m in the first nine months of 1988. Turnover for the year was expected to be around $40m.

The purchase will give Expamet access to the US market for its security products and give Radionics access to Europe. Following the acquisition, security will contribute around 40-45 per cent of Expamet's profits, according to Mr Jeremy Beasley, the chairman, and around 50 per cent of group profits will come from overseas.

The rights issue, underwritten by Kleinwort Benson, is priced at 148p, a 21 per cent discount to Monday night's closing price of 188p. Kleinwort is also acting as dealer manager for the tender offer in the US. The rest of the funding for the offer is in the form of a loan from Lloyds Bank.

About $30m of the consideration will be deferred on an interest-free basis and Radionics has cash balances of $11.6m. However, Expamet will still need to make disposals to cut net borrowings below 100 per cent of net assets by the end of 1990.

The businesses which will be sold include the group's 50 per cent stake in Expamet Pty, an Australian company, and the businesses and assets of Signifix and Case-Videoscan.

Expamet says the purchase of Radionics will not result in any dilution of earnings this year, especially as Expamet has substantial tax losses in the US which Radionics will be able to exploit.

The company also says 1989 has started with a good order book – and the board is confident the group will maintain satisfactory progress over the year. Expamet shares closed 11p down at 177p yesterday.

Dowty sells mining division

By Clare Pearson

DOWTY GROUP, engineering and electronics company, yesterday said it had agreed in principle to sell its mining equipment side, put up for sale two months ago, to a management team backed by Bankers Trust.

But the company declined to discuss the price, saying full details would be released within six weeks. Yesterday's statement was intended to dispel uncertainty among customers and employees, it said.

Recent City expectations have been that the sale would raise around £60m against net assets of £50m. It had been thought the deal would go through by the end of this month.

A management buy-out of the division was widely expected. There appears to be few companies who would wish to enter the difficult mining equipment sector, and existing players, such as Dobson Park, would be likely to run into monopolies problems in the UK by buying Dowty's division.

But a spokeswoman for Dowty said yesterday: "This is certainly not a last resort. There were several interested parties."

Dowty's decision to pull out of mining equipment, once a mainstay of the group, reflects its increasing concentration on defence, electronics and information technology interests. It also comes at a time when the UK sector is facing increasing competition in export markets while British Coal is buying less equipment at home.

Operating profits at the mining division fell from £4.8m to £1.9m at the interim stage, despite an increase in sales. One-off redundancy costs of £1.3m and a £1m exceptional warranty settlement were largely responsible for the fall.

Dowty yesterday added that a number of management teams were in the bidding for its industrial hydraulics business, which it put up for the sale as the same time as the much larger mining equipment side. But negotiations were at an earlier stage.

French deny water 'carve-up'

By Andrew Hill

FRENCH water suppliers yesterday rejected angrily suggestions that they have arranged to carve up the UK's private water sector.

Mr Ralph Cohen, finance director of General Utilities, the UK subsidiary of Compagnie Générale des Eaux, said: "It's absolute balderdash to suggest that there has been any form of conspiracy. If there had been we would not have paid the sort of prices we have paid."

Southern Water Authority and Associated Insurance Pension Fund, a vehicle for Mr Duncan Saville, a Sydney-based investor, are putting pressure on the Takeover Panel to investigate French purchases of stock in - and bids for - statutory water companies in the last 18 months.

It is thought, however, that the evidence put forward so far is not strong enough to constitute an infringement of the rules on illegal "concert parties" – the combination of apparently unrelated shareholdings to influence or control companies.

Mr John Stansby, chairman of SAUR Water Services, which is considering how best to rebuff a Southern/AIPF counter-bid for West Kent Water Company, said yesterday: "I don't see why they can't lose with grace and dignity and show the continental companies how to behave in a fair fight."

Southern/AIPF's hostile bid for Folkestone and District Water Company was thwarted last Friday by an increased offer from Générale des Eaux.

Lyonnaise des Eaux – which also denied the allegations – Générale des Eaux and SAUR, a subsidiary of the construction and service company, Bouygues, have launched recommended bids for 12 of the UK's 29 statutory companies. Each French company has bid for four water companies.

In October SAUR sold stakes in the Lee Valley and North Surrey water companies to Générale des Eaux, which then launched successful agreed bids from the platform of its increased holdings.

● The Department of Trade and Industry announced yesterday it would not be referring SAUR's bids for Mid-Southern and Mid Sussex water companies to the Monopolies and Mergers Commission.

Lessman clarifies stance on Cambrian

By Nikki Tait

MR LANCE Lessman, a New York-based investor in Cambrian & General Securities, the UK investment trust, yesterday said that he was prepared to prevent further shares falling into the hands of predator Leucadia National Corporation by bidding in the market at a price beyond Leucadia's current offer terms.

Mr Lessman acquired a further 25,000 ordinary shares on Monday at 112.75p. This compares with the offer price of 112p, and takes the interest of Mr Lessman and his partnerships to just over 5 per cent.

However, Mr Lessman – who has developed an alternative reconstruction plan for Cambrian in conjunction with its advisers, S G Warburg – said that on Monday evening he told Leucadia that if it raised its offer to 120p per ordinary share he would be "a voluntary seller".

The Leucadia offer had been declared final, but can be revised in certain circumstances. One such instance was a resolution of the company's tax situation – a move which was announced on Monday afternoon.

British Syphon buy-out succeeds

By Andrew Hill

THE MANAGEMENT of British Syphon Industries has succeeded in its recommended offer for the merchanting and manufacturing company despite the resistance of a 24.2 per cent shareholder.

Mr Nathu Ram Puri, and Melton Medes, the private industrial group he heads, object to the level of the offer, which values the Cheshire-based company at about £50m, and intend to maintain and even increase their minority shareholding.

The buy-out team declared its 155p-a-share bid unconditional with acceptances representing 54.5 per cent of the shares.

Mr Puri said yesterday that he would be happy to keep his shares, even though the company will not retain its stock market listing. He hoped to increase the stake to 29.9 per cent, or beyond if permitted by the Takeover Panel.

"I look at it like this: if it's a good deal for them, then it must be a good deal for me."

Some observers had suggested that Mr Puri's intransigence would prevent the management team securing the promised funding for the highly leveraged buy-out, unless it won acceptances for 75 per cent of the shares.

However, Bankers Trust International, which is financing the deal, said yesterday it was happy with the level of acceptances, given the special situation.

Mr Bryan Morrall, British Syphon's chairman and chief executive, who is leading the buy-out team, said: "I don't think Mr Puri will be a problem. We will get on and run the business, while he goes on funding the stake with the prospect of no income, and no chance of selling his shares."

He said that apart from Mr Puri no shareholders with more than 5 per cent had rejected the offer.

Last year management buy-outs took Virgin, Glass Glover, Dwek and Invergordon private. An offer for Ryan International is on the table.

Pacific Sales sells leathers business

By David Waller

Pacific Sales Organisation, in pre-Crash days an archetypal shell stock, is finally abandoning its original business as an importer of leather goods from China.

It is selling the leathers business for £1.1m cash over three years. At the same time, it is consolidating its position in the office equipment market with a £4.1m acquisition and changing its name to Business Technology Group.

PSO is buying Compass Leasing, a Brighton-based broker specialising in packages for office equipment suppliers and users. The initial payment of £2.6m consists of £1.1m cash and the balance in shares.

Further consideration, up to a maximum of £1.52m, depends on future profits. In the six months to end-September, Compass made pre-tax profits of £135,000. It is forecast to make no less than £460,000 in the year to end-March.

It has been selling the leathers business for [illegible] ... The businesses being sold lost £247,000 in the six months to June 30 last year. Debts of £1.83m associated with these businesses are being assumed by the vendors.

A group of investors bought into the company in early 1987, causing the shares nearly to treble in one day.

One of the initial trio of investors was Mr Tony Berry, until very recently chief executive of Blue Arrow, who will have a 3.6 per cent stake in PSO after the latest deal. Mr Berry is not a director of PSO and is unlikely to make this company his new vehicle.

Opax welcomes Bowater stake

By Andrew Hill

Norton Opax, the specialist and security printer, yesterday welcomed Bowater Industries, the packaging and industrial products group, as a major shareholder.

The companies have not yet identified any major areas of co-operation.

Bowater picked up a 24.4 per cent stake in Norton last week, but said on Monday that it did not intend to mount a full bid.

Bowater will today have to justify its £69.35m purchase of Norton shares to individual analysts.

The group has recently been selling peripheral operations to concentrate on core businesses and apart from Norton's interests in packaging, the two groups share few common activities.

A paced delivery to the last post

Raymond Snoddy on the demise of Extel's racing commentaries

FOR the past 27 years the Extel voices have always started at the beginning with the immortal words – "they're off" and proceeded with paced delivery to the finishing line.

Unlike some television reporters these racecourse commentators were not allowed to whip themselves into a gabble of excitement. As Mr Stuart Hall, managing director of the Extel Company explained yesterday, extreme accuracy was what was most valued in his racecourse commentators and the "cult of the personality" was definitely frowned upon.

Yesterday it was announced by Extel's owner, United Newspapers, that the six anonymous voices that have traditionally relayed race commentaries to betting shops all over the UK were among around 280 people who would lose their jobs with the closure of the specialist racing service for betting shops from June 30.

"It's a sad day," said Mr Hall, although he also said it was also an inevitable one. There was no longer any way that the disembodied voice could compete against the satellite television pictures of both dog and horse racing bounced daily into betting shops by Satellite Information Services.

"The rate of subscribers to the competitive service accelerated in 1988 to a point where the costs of maintaining the racing news services, which is substantially a fixed cost business, exceeded current or foreseeable revenues," Mr Graham Wilson, finance director of United said yesterday.

Extel, the information and communications group founded in 1872 was providing racing information by the end of that decade to private clubs and associations. With the arrival of legal off-course betting in 1961 Extel competed with London and Provincial for two years before swallowing up its rival.

Until the launch of a specialised satellite racing service Extel enjoyed 23 years of monopoly.

Mr Hall said yesterday that taking 1961 as an index of 100, by 1988 Extel's fees had increased to 695 compared with 859 for the retail price index.

Others in the racing industry were, however, critical of Extel's monopoly on racing information. It was that feeling that probably cost Extel the chance to move into satellite television racing.

Some Extel executives believe they had a verbal agreement with the Racecourse Association, the body that represents owners of 56 racecourses, to run a television service and indeed press releases were drafted to that effect but never issued. In the end the Association chose SIS, a company in which the four big bookmakers, Mecca, Ladbroke, William Hill and Coral have a significant stake.

Extel complained about the deal to the Office of Fair Trading but to no effect. The rebuff, some observers think may have helped pave the way to the United takeover of Extel.

Mr Bob Kennedy, a satellite television specialist who was responsible for putting together Extel's bid to the Racecourse Association, said yesterday: "I feel sure that everyone in the administration of horse racing or who is a punter will regret the passing of an independent source of information on betting and racing."

The demise of the Extel service, which would have lost United several million pounds this year if the closure decision had not been taken, comes as SIS forges ahead.

More than 6,000 betting shops now have their distinctive satellite dishes receiving racing live from both dog and horse racing tracks. A further 3,000 will have the service by this summer.

Betting shops have to sign up for a minimum of three years at £3,600 a year, although they do not have to pay for the receiving equipment.

Mr Tom Kelly, director general of the Betting Office Licensees Association, representing 5,500 shops estimates that turnover has risen by 10 per cent in shops fitted with satellite television.

SIS, which involved an investment of around £50m, is expected to break even later this year.

Bookmaking interests have the biggest stake in the company, but voting control rests with the Racecourse Association and the Totaliser Board pending a private placing of 40 per cent of the company's share to non-racing interests within the next few months.

Mr Christopher Stoddart, the SIS chief executive and former director of resources at Tyne Tees Television, the ITV company, said he was absolutely determined to run the business in a completely independent and professional way.

Extel's main business of providing financial information will not be affected in any way and the company's general sports service of results to national newspapers and television stations, including horse racing results will continue.

There will just be no-one saying "They're off" down the line from Epsom any more.

Blow to Plessey's continued independence

By Terry Dodsworth, Industrial Editor

PLESSEY, the embattled UK electronics group, yesterday suffered another blow to its chances of remaining independent when MSF, Britain's largest white collar union in the electronics sector, said that it would not oppose the bid from the General Electric Company and Siemens of West Germany.

The decision shows a marked shift in trade union attitudes towards the two companies since the previous GEC bid for Plessey in 1985.

At that time, MSF had not been formed, but one of its constituent members, ASTMS, was strongly against a merger of the two groups. The other union, TASS, expressed some anxieties about the merger prospects, but refused to adopt a positive stance for either side.

Mr Larry Brooke, the MSF national officer responsible for the electronics sector, last night said that the union recognised that it now had to respond to changes affecting the industry worldwide.

"We have to accept that there will inevitably be change in the electrical and electronics industry in the UK and Europe," he said. "We would like to see a plan to develop a strong European industry, and in that respect the GEC-Siemens bid seems appropriate. It would also ensure that Plessey remained in the European industry."

Mr Brooke added that MSF was strongly opposed to the abortive plans launched by the Metsun consortium to take over GEC and break the company up.

"We were totally against the idea that the financial institutions should scour the world to find anyone prepared to put a few pennies in the bucket to break up GEC with no regard to the industrial future of the country or the interests of employees," he said.

About 50 MSF delegates from Plessey, GEC's Marconi division and GPT, the telecommunications group owned jointly by Plessey and GEC, were at yesterday's meeting in London. The union claims to have about 26,000 members in the two companies, the majority in engineering and supervisory functions.

John D Wood 61% first half setback

By Andrew Taylor, Construction Correspondent

PRE-TAX profits of John D. Wood, a leading London residential estate agent, fell by 61 per cent during the six months to the end of October.

The drop from £1.1m to £435,000 was announced yesterday only a week after Nationwide Anglia said it was closing 50 of its estate agency branches because of losses.

Prudential Properties in a separate announcement said it was planning to cut by about 500 its 7,600 staff.

Mr George Pope, joint chairman of Wood, said the company had no plans to make any of its staff redundant although the housing market in central London remained difficult.

He said the sharp fall in profits was due to a slump in London house sales during the Autumn, the expense of opening new offices and extra promotion and advertising.

Profits, even without the extra costs, would still have been about only £625,000, said Mr Pope.

Wood handles mostly more expensive house sales. It earned £2.16m of its near £3m (£3.3m) first half turnover from its London estate agencies.

Earnings per share fell to 3.5p (8.4p) but the interim dividend is unchanged at 1.5p.

Mr Pope said the housing market had improved during the past two months with much more interest being expressed by potential buyers.

"The problem is translating that interest into sales and fees while people remain unsure about future movements in interest rates," said Mr Pope.

"We were in a similar position at the beginning of last year when people were reluctant to commit themselves following the stock market crash the previous October".

He said continuing uncertainty in the housing market meant results for the full year were likely to be less than last year.

Falling sales have prompted several estate agents to make redundancies. Bairstow Eves, the north London and Essex agents, was one of the first to announce it was making 100 of its 1,200 staff redundant last November.

A survey of estate agents published yesterday by the Royal Institution of Chartered Surveyors said house prices in parts of north London had fallen by up to 5 per cent in real terms since the Autumn.

One agent from Ealing in west London said inquiries from potential purchasers had fallen by 50 per cent in the three months to the end of December. Demand had picked up since the New Year but not enough to encourage higher prices.

In the north of England house prices were still rising but more slowly than previously.

Minorco argues for publication

By Kenneth Gooding, Mining Correspondent

MINORCO, the South African-controlled investment group, sent out clear signals yesterday that it was ready to bid again for Consolidated Gold Fields, the UK diversified mining company, if given clearance by the UK Monopolies and Mergers Commission and the New York Appeal Court.

It argued that publication of the MMC report, sent to the UK government on Monday, should not be held up by the parallel investigation by Department of Trade and Industry inspectors into alleged insider dealings in Gold Fields' shares ahead of the bid.

Clearly concerned about the possibility of a lengthy delay if Lord Young, the Industry Secretary, decided to wait for the inspectors' report, Minorco recalled that the UK Takeover Panel already had rejected an appeal to "stop the clock" on the bid pending the outcome of the share dealing inquiry.

"Gold Fields have already fought and lost this particular battle," Minorco suggested. "The Takeover Panel concluded that it was not fair either to Minorco or to Gold Fields' shareholders to cause the bid to lapse at that time, particularly as no breach of the Takeover Code by Minorco had been established and Gold Fields could make no positive allegation of insider dealing by Minorco or its associates."

On a separate front, Minorco said it was negotiating with two South African groups, Rembrandt and Gencor, so that it could immediately dispose of Gold Fields' 38 per cent holding in Gold Fields of South Africa (GFSA) if Minorco acquired the UK company.

"We want an agreement in place to sell that shareholding before the acquisition of Gold Fields is completed."

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Blick	fin	3.6	Apr 12	2.6	5.6	4.2
Co. of Designers	fin	2.4§	Mar 10	-	3.5	-
Fitzroy §	int	2.31♦	Feb 17	2.1	-	5.846
McKay Securities	int	2.5	-	2.2	-	4.8
Nash Industries	int	1.8	-	1.5	3	2.5
Pathfinders §	int	0.3	Feb 24	-	-	-
Practical Inv	int	1	-	1	-	4.22
RCO Holdings	fin	4	Apr 3	2.92	6	4.38
Saville Gordon	int	0.4	Apr 6	0.33	-	1.6
Spice §	fin	nil	-	2.4	1.2	3.6
Wood (John D)	int	1.5	Apr 3	1.5	-	4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ♦Irish currency. ‡Includes special payment of 2.2p.

BOARD MEETINGS

UK COMPANY NEWS

Property boost for Saville Gordon

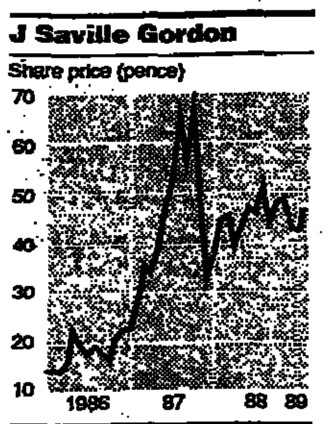
By Clare Pearson

J. SAVILLE GORDON Group, Midlands metal merchanting, engineering, property, and securities dealing concern, raised pre-tax profits by 85 per cent from £1.63m to £3.02m in the six months to end-October 1988. Group pre-tax margins doubled on turnover of £36.27m (£40.05m).

Earnings per share rose by 83 per cent to 2.004p (1.094p). The interim dividend is lifted to 0.4p (0.33p).

The improvement mainly reflected a strong showing by the property investment and development division – the company's main focus of attention. Pipeline equipment and stockholding also improved sharply.

The property division showed a hefty rise in profits to £3.08m (£886,000), with the biggest advance coming in rental income. The company said it could see no let-up in demand for rented property and had not felt any appreciable impact on sale prices from higher interest rates.



Expansion of the property portfolio, which comprises commercial and industrial sites, mostly in the West Midlands, is reflected in gearing of about 80 per cent. The interest charge in the interim period was £1.95m (£764,000).

Elsewhere in the group, J. Saville said demand for industrial products continued to be strong. The pipeline equipment and stockholding division produced operating profits of £1.29m (£801,000) on turnover of £10.98m (£9.56m).

However, sluggish stock market conditions, compounded by the sharp rise in UK interest rates, meant that the securities and commodity trading operation produced profits of only £245,000 (£509,000).

On the metal trading and processing side, the subject of reorganisation over the last few months, operating profits pushed ahead to £330,000 (£200,000).

J. Saville said the venture created last October by buying Parsons from United Engineering Steels, and merging it with Allen Rowland, Saville's main scrap division, was performing well. The sale of 50 per cent of the venture to UES gave rise to a £1.27m extraordinary credit.

● **COMMENT**

J. Saville's well-established policy of reinvesting cash from the merchanting and scrap metal operations in industrial estates in, say, the Black Country and from dealings on the stock market has meant that purists have always looked askance at the company's earnings. This is especially the case as it believes in buying property in chunks and sorting out the good from the bad afterwards. However, followers point out that Mr John Saville, chairman, has consistently delivered good results over the years, and without recourse to raising finance on the market. Despite the sharp rise in property rental income in the first half, there is more to come with the approach of rental reviews on a 55-acre industrial estate in the West Midlands. The portfolio overall is thought to be worth about £50m. The shares, which stand on a prospective p/e of 8.5, if pre-tax profits come out at about £7.3m this year, are not to be sold.

HT Hughes seeks cash for landfill acquisition

By Fiona Thompson

H.T. HUGHES, the USM-quoted waste management, quarrying and transport company, is to raise £6.98m by a 1-for-3 rights issue. Some £5m will be used to acquire a freehold 79 acre landfill site at South Leigh, one mile east of Havant, in Hampshire.

The rights will comprise 6.13m new shares, to be offered at 117p each. Yesterday the shares closed at 130p, down 4p on the day.

Pre-tax profits for the year ending February 28 1989 are forecast at not less than £1.75m - assuming no adverse weather conditions - compared with £1.39m last year.

Hughes said the acquisition was of major significance, in the light of continued high demand for waste disposal facilities and the scarcity of landfill facilities in that rapidly developing area between the extreme western edge of Southampton and the eastern edge of Chichester. It would boost the company's landfill reserves by 22 per cent.

The site has existing planning permission for sand and gravel extraction, now substantially worked out, and for infilling with waste material in one third of the site. Hughes will apply for permission for extraction and infilling for the remainder of the site and will also seek to extend current permitted levels and types of waste infill.

Hughes will acquire the South Leigh site through the purchase from Mr Robert Merrick, its chairman, of the capital of Summerdown for £2. Summerdown agreed earlier this month to buy the site from Mr George Ewen for £5m. The deal would result in neither gain nor loss to Mr Merrick.

South Leigh was bought by Summerdown as Mr Ewen insisted on an unconditional agreement that was completed quickly, and Mr Merrick did not want the site to go to competitors.

Company of Designers ahead 59% and raising new capital

By Andrew Hill

COMPANY of Designers, the building design group quoted on the Unlisted Securities Market, is hoping to raise capital for further expansion through an issue of new shares to a trade investor based outside the UK.

The deal, which could be announced in the next few months, would delay CoD's plans for a listing which have languished since the group's flotation just after the stock market crash of October 1987.

Recently the shares have rallied from a low of 71p at the beginning of the year to yesterday's closing price of 93p, unchanged despite the company's announcement that pre-tax profits in the year to September 30 had risen 59 per cent to £1.86m, against £1.17m in 1986-87.

CoD recommended a final dividend of 2.4p, making 3.5p for the year.

Mr John Taylor, executive chairman, said yesterday he hoped the combination of links with a friendly outside investor, and a lively acquisition programme would have a positive effect on the share price.

He added that three or four deals were under negotiation, including expansion into building surveying, and the possible purchase of a small advertising agency, which would enable CoD to provide corporate clients with a full advertising, design and public relations service.

John Taylor: hoping links with friendly investor and lively acquisition programme would have positive effect on share price

Turnover in the year rose 64 per cent to £9.88m (£6.04m), of which nearly 66 per cent (82 per cent) came from architecture. Earnings per 5p share were up from 8.3p to 9.5p.

Mr Taylor said margins had narrowed following salary increases of 10 per cent, which would probably be repeated in the current financial year, and expenditure of about £700,000 on installation of computer aided design equipment and related training, expected to be lower in 1988-89.

The group was also held back slightly by overall losses of about £180,000 in the restructured London operation, which is now trading profitably.

CoD has interviewed, selected and appointed a chief executive from outside the architectural business. For contractual reasons, he cannot be named for about three months.

New chief appointed at Wm Collins

By Fiona Thompson

MR GEORGE CRAIG was yesterday named as chief executive of book publishers William Collins.

The announcement of his appointment was widely expected after the resignation on Monday of Mr Ian Chapman, the former chairman and chief executive.

Mr Chapman's resignation followed his failure to thwart a hostile £403m bid from Rupert Murdoch's News International earlier this month.

Mr Craig is at present president and chief executive of Harper & Row, the US publisher owned by News Corporation, parent of News International.

Before joining Harper & Row Mr Craig was group managing director and vice-chairman at Collins until differences of approach led to a rift between him and Mr Chapman. Mr Craig will remain chief executive of Harper & Row.

Collins also announced four other board appointments.

Ms Sonia Land, a director at News International and the person who led the News' bid for Collins, has been seconded to assist Mr Craig. The three other appointees are Mr John McAlpine, managing director of Collins Stationery and Diaries, Glasgow; Mr David Ross-Stewart, managing director of John Bartholomew & Son, Edinburgh; and Mr Peter Stehrenberger, financial director at News International.

Mr Marmaduke Hussey, chairman of the board of governors at the BBC, has resigned from the Collins board.

His decision was made on grounds of conflict of interest, since Collins is now a subsidiary of News International which, through Sky, has involvment in British broadcasting.

George Craig

RCO advances 43% to £2m

RCO HOLDINGS, the cleaning and related services company, announced pre-tax profits up from £1.4m to £2.01m in the year to September 30 1988, an increase of 43 per cent.

The result was achieved on group turnover up 31 per cent to £22.49m (£17.19m) and other operating income of £29,000 (£31,000).

After operating costs of £20.55m (£15.86m), profits at the operating level were up to £1.96m (£1.36m). Net interest receivable over the period amounted to £47,000, up from £42,000 last time.

Tax accounted for £732,000 (£513,000) and earnings per 10p share worked through at 12.09p (8.75p). The recommended final dividend of 4p makes a total for the year of 6p compared with 4.38p.

Mr Robert Eastham, chairman, said the good start to the year had continued into the second half with growth in both the public and private sectors.

Start-up costs related to public sector contracts, which account for some 40 per cent of the group's business, were still significant, he said, although these had been more than offset by improved efficiency and higher profitability.

Private sector business had experienced a slight easing of pressure on margins due to a more realistic pricing policy being adopted by the industry generally.

The first three months of the current year had started well, he said, and the potential market for the industry continued to expand.

In the near future the second round of NHS tendering, together with the local authority competitive tendering exercise, would produce increased opportunities for the company, he said.

Oldham Estate passes dividend

By Clay Harris

OLDHAM ESTATE, the property investment and development company, increased pre-tax profits from £30.7m to £32.1m in the 12 months to September 30 1988, its first full year as a subsidiary of the property giant MEPC.

Earnings per share rose from 4.95p to 6.04p. There is no final dividend proposed after an interim payment of 4.05p. Oldham made a total dividend payment of 7.25p in 1986-87.

Mr James Tuckey, Oldham chairman and MEPC managing director, said future dividend payments would largely depend on the parent group's requirements, although minority interests would be kept in mind.

MEPC owns 99.8 per cent of Oldham, leaving some 670,000 shares in the hands of about 100 shareholders.

By far the largest minority holding is owned by Mr Harry Hyams, who built up Oldham during his 28 years as chairman. He resisted MEPC for seven months before reluctantly recommending its £516m takeover terms in September 1987.

The absence of a dividend will be no novelty for long-time Oldham shareholders. Under Mr Hyams' long tenure, most famous for the development of Centre Point, the London office block left vacant for 15 years in the 1960s and 1970s, no dividends were paid until 1985.

Assets rise at Murray Smaller

Net asset value per ordinary share and B ordinary share of Murray Smaller Markets Trust stood at 196.67p at November 30 1988, compared with 152.1p a year earlier.

Dividends and interest received in the first half rose from £1.51m to £1.7m. But underwriting commission fell sharply to £3,758 (£24,114). Revenue before tax rose slightly from £1.04m to £1.09m. Earnings per ordinary share came through at 1.37p (1.25p). The interim dividend of 0.65p (0.55p) was paid on January 4.

Flogas higher midterm and interim lifted

Despite the mild winter Flogas is looking for satisfactory profit growth over the year to May 1989.

The forecast follows a 20 per cent increase, from I£1.1m to I£1.32m, equal to £1.08m, achieved in pre-tax profits for the six months ended November 30 1988. Earnings per 10p share were 6.17p (5.35p) and the interim dividend is 2.31p (2.1p).

The company is Irish-based, and imports and distributes liquefied petroleum gas with plants in Leicester, Newport (Wales) and Newcastle-upon-Tyne. Its shares are quoted on the USM.

Turnover rose to £10.28m (£9.37m). Volume sales increased in all geographical markets with strong growth in the UK, where the company is increasing its penetration.

Spice omits final after profits drop to £23,000

By David Waller

TOO MUCH concentration on acquisitions, combined with increased competition, led to a slump in profits at Spice in the year ended September 30 1988, and the dividend is cut.

The USM-quoted autoparts distributor and wholesaler yesterday reported pre-tax profits down from £1.26m to just £23,000. Earnings shrank to 0.5p (13p) and there is no final dividend, leaving the year's total at 1.2p (3.6p).

Sales last year rose from £22.55m to £28.7m.

The result, and non-payment of the final dividend, were expected following the company's statement last month. Yesterday, Spice repeated its warning that it will move into losses in the first half of the current year.

"Start-up costs combined with additional costs associated with the delay in opening a national distribution centre will have a significant impact on the first half results," a statement said. Benefits of the national centre at Dunstable ought to make themselves felt in the second half.

Last year's poor performance was blamed on "a combination of external circumstances, together with the loss of management concentration on its core business".

In the past five weeks, both the former managing director and finance director have resigned. Mr Gordon Spice, the racing driver who is chairman of the company, has refused to elaborate on their departures. He was not available for comment yesterday.

The shares shed 1p to close at 70p, capitalising the company at £5.83m.

Core growth as Pathfinders advances 13%

In the half year ended September 30 1988 Pathfinders Group, the specialist media and entertainments recruitment agency, lifted turnover by 10 per cent and profits by 13 per cent.

Mr Stephen Worth, chairman, said the core business performed well in good market conditions, aided by the traditionally strong summer period for temporary staff.

Turnover came to £1.07m (£975,000) and pre-tax profit was £337,000 (£298,000). Earnings worked through at 0.94p (0.8p) and there is a maiden interim dividend of 0.3p. The group came to the USM in November 1987.

The chairman said the new offices planned for the first half were delayed, but had been opened since. The Covent Garden and Bristol offices were operating successfully.

SHARE STAKES

Changes in company share stakes announced recently include:

Brunning – County NatWest Smaller Companies Exempt Fund is now beneficially interested in 399,582 ordinary (8 per cent).

Cosalt – Lae Investment Management has disposed of 185,000 ordinary and now holds 865,000 ordinary (7.75 per cent).

Fledgeling Japan – Stitching Philips Pension Funds B has acquired 3.45m shares (8.99 per cent), increasing its total holding to 4.3m (7.96 per cent).

Floyd Energy – Caspen Oil and British and Commonwealth Securities have disposed of their respective 6.9 per cent and 9.4 per cent interests in the ordinary shares. Scottish Amicable Investment Managers now controls 8.53m ordinary (19.2 per cent).

Garton Engineering – Primrose Hill Securities has acquired 25,000 ordinary at 170p and now holds 682,100 shares (18.98 per cent).

Great Western Resources – Certain directors have purchased a total of 110,000 shares of clause A common stock at prices ranging from 105p to 107p per share. Mr Daniel Pena bought 60,000, making a total holding of 10.39m (43.5 per cent); Mr John Earnest bought 20,000, making 55,000 (0.2 per cent); Mr Gary Loveless bought 30,000, making 2.37m (9.9 per cent).

GT Japan Investment Trust – Sun Life Assurance Society and its discretionary managed clients now hold 4.54m ordinary (14.54 per cent).

Investment Trust of Guernsey – Island Properties has acquired 194,419 ordinary and now holds 5.45m (7.67 per cent).

Telfos – AC Holdings has confirmed its interest in 1.71m ordinary (10.08 per cent). Royal Trust Asset Management has confirmed that discretionary funds under its management are interested in 1.51m ordinary (8.96 per cent).

Trevian – Frogmore has exercised its remaining options to acquire 1m 10p ordinary at 100p per share, taking its total to 2.75m (29.86 per cent). The 1m shares were bought from Mr David Dutton, Trevian's chairman, and his family interests.

UK NEWS

High interest rates and strong pound dent confidence in exports

Peter Norman examines the Confederation of British Industry's latest quarterly survey on industrial trends.

HIGH INTEREST rates and the strong pound have dented business confidence among British manufacturers and prompted a sharp fall in export optimism.

The Confederation of British Industry's latest quarterly industrial trends survey suggests that manufacturing output, which was growing at an annual rate of 7 per cent late last year, will grow at a slower annual rate of 5.5 per cent in the first quarter of 1989.

This follows a slowdown in the growth of new orders over the last four months and reflects expectations of reduced order growth in the period to April.

The survey, which questioned 1,300 companies between December 15 and January 11, shows, however, that industry does not yet plan to cut back investment in plant and machinery.

In fact two firms in five plan to authorise more spending on plant and machinery in the next 12 months, while 35 per cent intend to keep their investment spending unchanged.

The latest survey is the first since July 1986 to show a larger number of companies less optimistic about future business trends than they were four months ago than the number expressing greater optimism about the future.

That said, 65 per cent of the companies polled were neither more nor less optimistic than they were in October, despite the increase in bank base rates to 13 per cent from 12 per cent at the end of November.

Although the survey shows an increase in the number of companies expecting costs and prices to rise in the first four months of this year, inflationary fears may be exaggerated.

There is a strong seasonal element in higher cost and price expectations at the start of any year, and the CBI's findings on cost and price developments since October suggest that were less inflationary months than manufacturers had feared or hoped at the time of the last survey.

Business optimism: Only 15 per cent of firms said they were more confident about the general business situation than four months ago, while 21 per cent were less confident. The resulting percentage balance (the proportion reporting a rise minus those reporting a fall) was minus 6 per cent compared with plus 6 per cent in October.

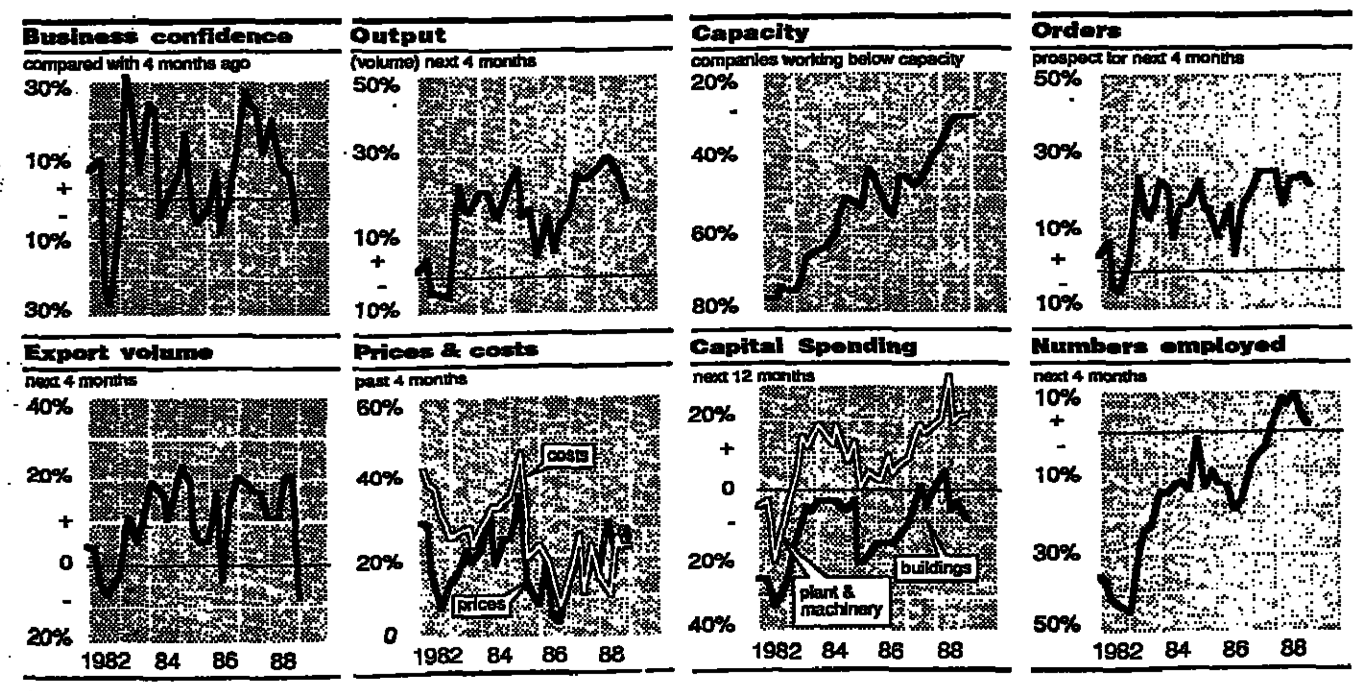
Output and orders: The rate of output growth rose strongly over the past four months. Of the surveyed companies 40 per cent said their output increased, while only 10 per cent experienced a decline in production to give a positive balance of 30 per cent. This compared with a positive balance of 21 per cent in October.

A significant slowdown in growth of output, however, is expected over the next four months - 39 per cent of companies polled expect an increase while 11 per cent anticipate a decline.

Although this gives a positive balance of 18 per cent, it is a drop from the positive balance of 24 per cent recorded in October.

The growth in orders slowed in the four months to January. A positive balance of 16 per cent of the companies surveyed said their orders rose in the past four months compared with positive balances of 21 per cent in October, 24 per cent in July, and 31 per cent in April.

The balance of companies now expecting orders to increase in the next four months has fallen to 21 per cent from 24 per cent in October.



Exports: Optimism has fallen significantly over the last four months, reflecting a sharp fall in export orders recently and expectations of a further downturn.

Whereas in October a positive balance of 7 per cent of companies expressed optimism about export prospects for the next 12 months, the latest CBI survey reveals that a negative balance of 9 per cent are more cautious about the future.

Some 32 per cent of companies said their export orders fell in the past four months compared with only 17 per cent reporting a rise.

This produced a negative balance of 15 per cent against a positive balance in October, when a net 9 per cent of companies reported that recent export orders had risen.

In line with the decline in orders, 28 per cent of companies expect their export deliveries will fall in the next four months compared with only 20 per cent expecting export deliveries to increase.

Capacity and constraints on output: The proportion of companies operating below capacity has remained steady at the low level of 31 per cent for the third successive CBI quarterly survey. But the latest survey shows signs that capacity constraints on British industry are easing as new plant comes on stream and orders slacken.

Of the companies polled 88 per cent said that their present fixed capacity was at least adequate to meet expected demand over the next 12 months. This compared with 80 per cent in October.

Lack of skilled labour is now more likely to limit output in the next four months than shortage of plant capacity.

The survey said 17 per cent of companies expressed fears about capacity constraints compared with 29 per cent in October.

A shortage of skilled labour is now cited by 25 per cent of companies as a possible limit on output compared with 28 per cent in October.

Employment: The trend in manufacturing employment continues to be upwards, according to the CBI.

The survey said a positive balance of 14 per cent of companies increased their workforce over the past four months, up sharply from the 4 per cent positive balance of companies which took on more workers in the four months to October. However, a positive balance of only 1 per cent expect further increases in employment over the next four months compared with a positive balance of 4 per cent in October.

Costs and prices: Unit cost increases remained steady over the past four months with the balance of firms reporting an upward trend staying unchanged at 22 per cent. However the CBI expects a pickup in the growth of costs over the first four months of this year, with a positive balance of 34 per cent expecting increases compared with only 25 per cent last October.

Average prices at which domestic orders are booked rose less rapidly than expected over the past four months, with a positive balance of 33 per cent of companies reporting price increases compared with 26 per cent in October.

The CBI said the outlook is for a faster rise in factory gate prices with a balance of 37 per cent of companies expecting prices to rise over the next four months compared with 32 per cent in October. CBI economists expect the rate of increase in producer output prices will quicken to an annual 5 per cent in the first quarter of this year, from 4.9 per cent in the final 1988 quarter.

Investment: Investment is continuing to grow strongly despite high interest rates and deteriorating export prospects.

A positive balance of 21 per cent of firms plan to authorise more capital spending on plant and machinery over the next 12 months. This figure is unchanged from October. However, companies plan on balance to invest less in buildings than they did at the time of the last survey.

CBI economists expect that investment will increase by 9.5 per cent at an annual rate in the second and third quarters of this year compared with 10.1 per cent in the middle quarters of last year.

Industrial Trends Survey, No.111, January 1989. Annual subscription, CBI members: £120; Non-members: £195. CBI, Centre Point, 103 New Oxford St, London WC1A 1DU.

COMMODITIES AND AGRICULTURE

EC Ministers agree farm policy reforms

By Tim Dickson in Brussels

MR RAY MacSharry and Mr Carlos Romero, respectively the new Agriculture Commissioner in Brussels and the Spanish Chairman of EC farm meetings for the next six months, got off to a flying start yesterday when agreement was reached on a complex but substantial package of farm policy reforms.

After a long night of negotiations on Monday, which almost lasted till breakfast time yesterday morning, the member states approved by majority vote a series of measures, including key changes to the EC's beef regime, a radical scheme for making direct income payments to the Community's poorest producers, and a compensation plan for dairy farmers unfairly deprived of milk quotas when the controversial system was introduced in 1984.

Britain, Ireland and the Netherlands all voted against the package – in each case because their ministers were unhappy about aspects of beef – but between them they were insufficient to form a blocking minority.

The final deal on beef will weaken the support for producers provided by the EC's intervention buying, which will be restricted to a maximum of 220,000 tonnes per year (there has hitherto been no limit). A safety net, however, has been put in place, so that when market prices in at least three member states or regions fall below 80 per cent of the intervention price, the EC will guarantee to buy at 80 per cent of the intervention price.

While these arrangements were of most concern to the Irish, Britain was unsuccessfully battling to modify the details for the payment of the new special premium

The commission, however, stuck rigidly to its proposal for a headage limit, so that, as a result of yesterday's deal, Ecu 40 per animal will be paid on herds up to a ceiling of 90 animals.

Britain and the Netherlands claims that this discriminates against specialist beef farmers, but officials in Brussels argue that more aid will be channelled to those producers with small- and medium-sized beef herds. As such, this helps answer *criticisms* that too much money under the Common Agricultural Policy goes to larger farmers, who do not need it.

The new beef regime, in fact, will redistribute resources, rather than making any significant budget savings – a factor which influenced the negative Dutch votes.

Under the income aids plan, direct payments of up to Ecu 2,500 "per man work unit" will be possible, with up to Ecu 1,000 per unit coming out of EC resources. Contributions from national governments will range from 70 per cent in the richer member states to 25 per cent in the poorest.

The so-called "slim" problem – how to compensate milk producers who were deprived of milk quotas because they had voluntarily but temporarily come out of dairying under schemes in the late 1970s – has been solved by guaranteeing them 60 per cent of their dues. However, those who qualify will have to show that they genuinely want to go back into business.

Agreement was reached by ministers on the definition of a small producer for the purposes of the cereals co-responsibility levy, a system of support for nut producers in Spain, and a series of green currency changes for Ireland and Greece.

London's crude oil traders look to the futures

Steven Butler analyses the success of the International Petroleum Exchange's relaunched contract

THERE WAS plenty of scoffing among oil traders *last June* when the London-based International Petroleum Exchange announced the relaunch of its Brent crude futures contract, with slightly modified specifications.

Almost everyone could think of a reason for the contract to flop – as had its predecessors, the latest of which launched in 1985.

The community of locals who would trade on their own accounts among themselves to build volume and liquidity, as in the US markets, was woefully small. And the membership of the IPE seemed bent on ensuring that the new contract would be still-born when it voted down a proposal that would, in an effort to build liquidity, bring in more traders. IPE members feared that would dilute the value of their own memberships.

There were questions about the likely level of oil industry participation, since the big traders were already active in the Brent forward market, trading in units of 500,000 and 600,000-barrel tankers. Did the industry need a futures contract when it could use the forward market for hedging purposes, and could the contract succeed without the active participation of the big players?

The relaunch of the Brent contract was something of a last ditch effort when the membership of the New York Mercantile Exchange, the world's biggest energy futures market, scuppered plans to trade a contract in West Texas Intermediate Crude in London, before trading opened in New York.

Mr Peter Wildblood, the IPE chief executive, now admits, however, that the breaking off of talks by Nymex, *seen as a* severe blow at the time, was a blessing in disguise.

That was because the Brent Crude contract, launched almost in desperation, has been a roaring success. Monthly trading volume grew steadily from July to November, peaking at 80,411 contracts. December volume was off the peak at 69,413, reflecting more stability in oil prices following the November Opec meeting and the holiday lull.

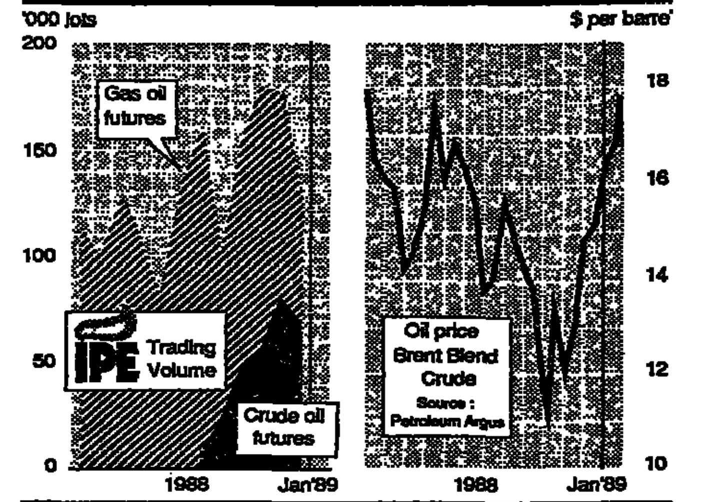
However, the level of open interest continued to grow to 23,326 contracts in December. Open interest (the total of unmatched contracts) is regarded as a rough indicator of industry involvement, as speculators are unlikely to run positions for long.

The crude oil contract has yet to match the good, steady volumes achieved in the IPE's gas oil contract, which has alone sustained the exchange in recent years. Mr Wildblood believes, however, that the new crude contract is already firmly established and has far greater growth potential than the gas oil contract because of the much higher volume of underlying crude oil trading.

The fact that Brent oil prices are used in formulas for determining prices for many Middle East crudes broadens even further the contract's potential use.

The contract's recent success, after several earlier IPE failures to launch crude futures, is undoubtedly due in some part to minor revisions of the contract specifications that have made it more attractive.

But almost certainly more important are changes in the oil industry since the IPE's last ill-fated attempt.



The oil industry is now a trader's business as it never was in the past. The major oil companies lost control of their Middle East reserves in the 1970s, but for years afterwards there remained broad stability of supply and price arrangements. *Although a spot market* for oil had developed early on, this represented only a small portion of the world's oil trade and prices were more indicative of short-term surpluses and shortages, rather than broad market trends.

The forward market for Brent oil developed initially as a device through which North Sea producers could establish a market price for crudes in order to determine tax liabilities. *The contract size of* 600,000 barrels (since reduced to 500,000 barrels), however, put the market out of reach of all but oil producers, or well capitalised trading companies.

Since 1986, however, several important changes have taken place. First came the dramatic rise in the volatility of oil prices following the collapse in 1986. *That was the factor* underpinning the meteoric growth of crude oil trading at Nymex, *where contracts are* based on non-exported West Texas Intermediate crude.

WTI contracts, however, are often a poor instrument for hedging other international trades, since WTI prices can respond independently to local market factors in the US.

Second, the forward market for Brent oil itself has undergone important changes. Several traditional oil trading houses have been knocked out of the market after heavy losses. Even some Japanese trading companies, which became active after 1986, have dropped out after betting the wrong way on prices at the end of 1987.

Two main categories of players are left: the big oil companies and the well capitalised Wall Street commodity houses, such as Drexel Burnham Lambert, Morgan Stanley, J Aron, and Salomon Bros., which also entered the market in force after 1986.

The declining number of players has raised fears of a drop in liquidity. Although Petroleum Argus, the weekly oil journal, reports that its tabulation of deals has shown a drop from a peak of over 2,000 in the fourth quarter of 1987 and first quarter of 1988 to less than 1,776 deals in the third quarter, it also suspects that the drop in reported contracts reflects, at least in part, a rise in confidential deals. It is not clear that the volume of trading is significantly down.

Although the health of the forward market for Brent oil is vital to the IPE's contract, because the contract's cash settlement provisions are based on an index of forward market prices, the high risks of the Brent market have probably shoved a number of potential customers in the direction of the IPE.

The smaller contract size, 1,000 barrels at the IPE instead of 500,000 thousand barrels in the forward market, makes the risk much more manageable. The tighter regulatory environment also may reassure some participants *as to the* broad safety of the market, although some traders may still prefer the forward market in spite of the higher risks because dealing costs are less.

Another factor has been the activities of the commodity houses, known collectively as the "Wall Street refiners." These act as risk managers for clients with a wide variety of portfolios by taking some of the risk on their own books. They need markets on which to offset that risk, and the IPE contract provides a useful instrument.

Apart from these changes in the trading environment, oil companies have, after a breaking-in period, simply become accustomed to the role of futures.

"What we have seen over the past year is a better understanding by the industry of futures and options trading," says Mr Wildblood.

It is all very good news for the IPE, which now appears to have a well-marked path of growth mapped out. The value of *seats on the* exchange has risen sharply from £8,000 in 1985 to over £75,000.

The exchange this month broke a good London tradition – the lunch break – in order to capture business from early morning traders in the US who arrive at their desks *before* the opening of the Nymex.

Traded *options* in crude oil are to be introduced in the spring, and the IPE is searching for ways still to bring in more locals to the floor.

After that the exchange has its eye on a heavy fuel contract, and one for light petroleum products, probably unleaded gasoline, along with *parallel option contracts.*

Dutch aim to get in on the act

By Laura Raun in Amsterdam

ROTTERDAM HOPES to launch a new energy futures exchange by September in yet another attempt to build on the Dutch port's established role in physical oil trading.

The exchange will get off the ground only if the oil industry shows enough interest, meaning at least 90 of the 120 available seats must be sold, according to organisers. Applications have been received for about 50 seats – which sell for Fl 25,000 (£6,800) – since January 16. They have come from a broad spectrum of the industry, including brokerage houses, market makers and private investors, according to a Rotterdam Chamber of Commerce official. Most inquiries have been from domestic market players.

The Rotterdam Energy Futures Exchange would be the second such bourse in Europe, after the International Petroleum Exchange in London, founded in 1981. Two contracts would be offered, one in Brent blend crude oil and the other in gas oil (both already traded on the IPE).

Initial reaction inside and outside the Netherlands has been highly sceptical with most traders doubting the need for another oil futures exchange in addition to the IPE and the New York Mercantile Exchange.

Rotterdam has become synonymous with spot prices for crude oil and refined products because it is the world's largest refining and storage centre, as well as a gateway to the Rhine river barge market. But the Rotterdam spot market got its name because so many oil cargoes passed through the port rather than because traders congregated there.

The spot market is actually a global network of traders who deal with each other via international telecommunications.

Paid-up share capital on the Rotterdam exchange amounts to Fl 3m, with half put up by the European Options Exchange in Amsterdam and the other half by Rotterdam interests, including the municipality and the Chamber of Commerce. The options exchange has tried repeatedly to organise an energy options exchange but oil traders have shown little interest.

Futures exchange backers believe the planned contracts will be more attractive because of the opportunity for physical delivery, made feasible by Rotterdam large storage capacity. But sceptics note that physical delivery is also now possible on the IPE.

The Rotterdam crude oil contract would cover 1,000 US barrels of Brent blend or other price-adjusted crudes, the same as on the IPE and Nymex, thus facilitating arbitrage between the markets. Prices would be quoted in US dollars and settlement would be in cash or physical delivery.

Norway's Heidrun plan shelved

By Karen Fossli in Oslo

THE FIRST PHASE of production from an important Norwegian oil project has been shelved while the operator, Conoco Norway, reviews the plan for the main development scheme. The company is the Norwegian subsidiary of the Houston-based Conoco Inc., which is in turn owned by Du Pont de Nemours, the largest US chemical company.

Although Conoco is not willing to proceed with the Heidrun early production scheme, which would have seen oil flowing from mid-1990, it will have to obtain backing from partners and the Norwegian authorities for its decision.

The development scheme foundered last month when Conoco halted main contract negotiations with K/S Nordic Invest, a Norwegian consortium which was to build the monohull production vessel, because it had received information that Nordic was unable to carry out the project in accordance with its bid.

At that time Conoco was willing to continue the project if the consortium was able to salvage its bid.

However, late on Monday night Conoco said it was not willing to proceed further with the early production ship proposals.

During the re-evaluation phase of the project Conoco said it "seriously" considered several direct ownership alternatives to get the project off the ground but the options did not give sufficient advantages and "could not be accomplished without considerable delay beyond original plans."

According to a Conoco executive, the early production schedule would have been over-shot by at least a year had the company continued with development plans.

It would then not have been an early production scheme but rather a buffer in the event of delays on the main development.

Conoco is now forced to rethink the entire development and to increase efforts to reduce costs. Already some NKr 1.5bn (£125m) in development costs has been saved.

However, Norwegian authorities may force Conoco to explore the Heidrun field more thoroughly before approving any new development scheme.

Although the field is said to be Norway's fourth largest, the Norwegian Petroleum Directorate (NPD), Norway's watchdog over the oil and gas industry, cut estimates for recoverable oil reserves to 550m barrels from 750m barrels.

Since the field has such a large ratio of gas reserves, the company will have to secure a gas sales contract before development approval is given. That is unless Conoco comes up with an innovatory gas off-take solution which is acceptable to Norwegian authorities, which do not allow gas to be flared.

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,000-2,125 (1,950-2,025).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 6.65-6.80 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 8.30-8.50 (same), *sticks* 8.30-8.50 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.65-7.85 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 275-290 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.50-3.53 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 8.95-9.15 (8.40-8.90).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 55-64 (56-64).

VANADIUM: European free market, min. 98 per cent, VO, cif, 10.00-10.95 (8.50-9.00).

URANIUM: Nuexco exchange value, $ per lb, UO, 14.15 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

ZINC prices continued their recent advance to fresh records yesterday on the LME on the threat of further disruption of supplies from Mexico and Peru. Pre-market prices surged following news that workers at Industriales Penoles SA de CV's Naica lead/zinc/silver mine in Mexico had gone on strike, with the possibility that the stoppage could spread to the company's important Torreon smelting centre. Peruvian miners could vote later this week to resume strike action if mine owners do not satisfy their pay demands. In addition, the International Lead and Zinc Study Group said yesterday that 1988 non-Socialist world zinc consumption was a record 5.3m tonnes against 1987's 5m tonnes. Cash zinc closed at $1,800 a tonne following some afternoon profit-taking. The bullish sentiment in zinc spilled over into other base metals.

COCOA £/tonne

	Close	Previous	High/Low
Mar	857	855	870 846
May	874	865	879 853
Jul	859	858	882 843
Sep	856	856	860 846
Dec	868	873	874 860

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 12,675 tonne
Cash	2415-25	2354-8		2410-20		
3 months	2370-5	2320-2	2380/2355	2365-70	2360-3	23,110 lots
Copper, Grade A (£ per tonne)						Ring turnover 31,100 tonne

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	408.0	407.8	407.0	405.8
Feb	408.3	408.5	411.2	408.0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	134.51	140.85	139.50	134.40
May	131.60	137.48	135.50	131.50
Jul	129.26	135.00	133.25	129.10
Sep	128.70	132.60	131.25	128.70
Dec	126.50	132.20	130.50	126.50

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	437/6	444/6	443/6	437/2
May	432/6	437/2	437/0	431/2
Jul	403/6	408/2	408/0	403/0
Sep	408/4	413/2	410/4	408/4
Dec	418/6	423/0	421/0	417/6

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LONDON STOCK EXCHANGE

Equities close strongly in good trade

A WARNING from the Confederation of British Industry that business optimism is at a two year low served only to strengthen hopes in the UK stock market yesterday that domestic interest rates may have peaked. With interest rate hopes encouraged also by confirmation from the UK building societies that home lending fell sharply last month, the FT-SE moved to a new post-Crash peak. The market closed strongly at the day's best levels, boosted finally by a powerful opening on Wall Street.

Turnover remained heavy, but although the UK investment institutions came in again to buy stock across the

Account Dealing Dates

Option			
*First Dealings	Jan 16	Jan 30	Feb 13
Option Declarations	Jan 26	Feb 9	Feb 23
Last Dealings	Jan 27	Feb 10	Feb 24
Account Day	Feb 6	Feb 20	Mar 6

*New time dealings may take place from 8.00 am two business days earlier.

board, the Seaq volume total of 562.8m shares, against Monday's 600m, took in a substantial proportion of inter-dealer business. There was increased activity in many of the currency-orientated stocks, including ICI (3.6m shares), Beecham (2.9m) and Reuters (2.1m), and these international names led the market in late dealings.

Shares opened lower, behind Wall Street's overnight fall, but were once again kick-started by a buy programme from a leading UK securities house. Helped along by the CBI survey and the building societies' figures, equities moved ahead to show a gain of more than 13 FT-SE points at mid-session. Confirmation that sales of unit trusts have fallen had been widely anticipated and had little effect on equities.

After treading water for a while, the equity market resumed its upward course, with favourable reports from the US Senate appearance by Mr Alan Greenspan, the chairman of the Federal Reserve Board, providing the final impetus.

The FT-SE Index closed at 1941.1, a gain on the day of 16.4 points. The Footsie Index has risen by almost 50 points over the past four trading sessions and is now challenging 1950, regarded as its next significant hurdle.

Despite the strength of the New York market, there was little interest in oil shares in London yesterday. Crude prices shaded lower, and speculative situations played a subdued role.

Some traders expressed nervousness over the changes in equity market rules, due to begin taking effect next Monday. Marketmakers will no longer be obliged to deal with each other at prices quoted publicly on the Seaq screens nor, when the new rules take full effect, will deals above £100,000 in value need to be reported until the following day.

The new deal reporting rule will hide away all deals above 10,000 shares in, for example, ICI and Glaxo and similarly priced blue chips. Some traders, fearing more difficult trading conditions ahead, appeared to be bringing forward any impending deals in the market leaders.

FINANCIAL TIMES STOCK INDICES

	Jan. 24	Jan. 23	Jan. 20	Jan. 19	Jan. 18	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	88.37	88.35	88.15	88.08	87.54	88.94	91.43 (18/4/88)	88.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.91	97.10	96.92	96.84	96.71	95.27	98.67 (25/5/88)	94.14 (8/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1580.7	1569.5	1563.3	1556.2	1540.0	1418.0	1580.7 (24/1/89)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	170.6	169.0	164.3	163.0	162.8	265.7	312.5 (7/1/88)	160.7 (3/1/89)	734.7 (15/2/83)	43.5 (26/10/71)

	Jan. 24	Jan. 23	Jan. 20	Jan. 19	Jan. 18	Year Ago
Ord. Di. Yield	4.64	4.67	4.70	4.72	4.76	4.49
Earning Yld %(full)	11.66	11.75	11.82	11.88	11.96	11.16
P/E Ratio(Net)(☆)	10.36	10.28	10.23	10.18	10.11	10.96
SEAQ Bargains(5pm)	31,642	34,484	33,336	36,073	28,527	23,534
Equity Turnover(£m)†	-	1312.74	1632.64	1728.10	1238.10	1001.59
Equity Bargains†	-	36,425	36,862	36,649	29,568	26,111
Shares Traded (ml)†	-	543.5	718.0	898.6	440.5	366.2

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
1568.1	1572.9	1577.5	1575.0	1576.3	1576.6	1577.2	1579.1

DAY'S HIGH 1580.7 DAY'S LOW 1567.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 10.30 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Jan. 23	Jan. 20
Gilt Edged Bargains	118.6	106.4
Equity Bargains	236.0	239.0
Equity Value	2653.4	3300.4
5 - Day average		
Gilt Edged Bargains	118.2	118.4
Equity Bargains	218.38	214.07
Equity Value	2787.0	2786.8

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	3,600	143	+2	Commercial Union	3,300	375	+9	Land Securities	821	585	+6	Rothmans	990	461½	+7½
Allied-Lyons	944	473	+5	Cons. Gold Fields	238	1231	-4	Laporte	101	399	+8	Royal Bk. Scotland	471	[illegible]	+1
Amstrad	284	164	[illegible]	Cookson	815	256	+8	Legal & General	712	324		Royal Insurance	997	430	+6
Argyll Group	856	182	+1½	Courtaulds	2,138	381½	+4	Lloyds Bank	1,400	308	+1	STC	806	297	+2
Ass. Brit. Foods	73	318		Dalgety	247	323	+2	LASMO	1,700	472	-2	Saatchi & Saatchi	560	[illegible]	1½
BAA	1,500	27½	-3	Dixons	5,730	146	+7	Lonrho	2,400	346	+5	Sainsbury	538	[illegible]	[illegible]
BAT	2,700	490½	+9½	Eng. China Clays	820	479	+15	Lucas	1,300	587	+11½	Scot. & Newcastle	310	405	[illegible]
BET	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Japanese favour Steel

Heavy overnight trading in British Steel again indicated interest from Japanese investors, who appear to have taken up the running this week from the US funds which were active last Thursday and Friday. A series of eight deals, all for 1m or more shares in the newly-privatised steel group, were recorded very early in the session, at prices hovering around the 70p mark. By the end of the day, 41m shares had traded, maintaining the visible image of the stock which has provided around one tenth of total equity turnover in several recent sessions.

The steel group is attractive on fundamental investment grounds because of its high yield. It is also regarded as likely to benefit from the currency factor if the German mark moves higher against sterling.

Composite sunshine

Sun Alliance, the insurance group, were far and away the best performer in a generally buoyant composite sector with the shares racing up 24 to 1058p on turnover of almost 1m. Dealers said the stock was "caught in the grip of a bear squeeze which grew tighter and tighter as the session wore on." The stock was additionally boosted by a recommendation issued by David Hudson, composites analyst at BZW, the securities house. Mr Hudson, writing in BZW's Insurance Weekly, points out "the mild weather in the UK continues and here is one bear of the sector worried he may have to raise his 1989 forecasts." Mr Hudson recommends clients to "switch out of Commercial Union, Guardian Royal Exchange and Royal Insurance and into Sun Alliance."

But Peter Constable, insurance analyst at Flemings Research tells Flemings clients to "sell before the pack does", referring to the composites sector in general and in particular Guardian Royal and Sun Alliance.

Wolseley strong

Persistent support of Wolseley led inevitably to speculation of an impending development and the shares built up quite a head of steam yesterday to close 19 up to 275p. A bid approach was just one of several wild market rumours but traders were scornful of this.

They preferred the theory that the shares had been left out of the recent rush to buy companies with a high dollar content. Some 45 per cent of Wolseley's profits are earned in the US. A more feasible explanation for yesterday's buying was a presentation to Sun Alliance, which may have been the first of a series of planned meetings with the UK institutions.

BZW researcher, Mr Mark Gibbon, rates Wolseley a good long-term buy, saying: "The group has one of the better management teams around and is the quality play of the sub-sector." He estimates the building materials concern could earn profits of £100m this year compared with £87.5m last time. The interim trading statement is due in March.

Yet another slide by crude oil prices - Brent oil for delivery in March was down some 55 cents a barrel towards the close - had a restraining effect on the oil and gas sector.

British Gas continued to shrug off stories of a possible move against Texas Eastern with Gas shares edging up a further 1¼ to 171½p on another big turnover of 9.6m; this included a single deal of 2m at 170p. "These (Gas shares) have moved through the previous resistance level of 170p, there is keen support," said one dealer.

BP were again active but both classes of the stock tended to drift easier with traders reporting big action in the traded options market where the January stock options expire today. There was said to be a major two-way pull in the market between two of the leading UK securities houses.

Shell were said to have attracted a fresh wave of US buying interest which sustained them around the 368p mark; turnover was in excess of 3m shares.

Century Oils hardened to 199p with the market still puzzling over the destination of the near 3 per cent holding sold by Kelt Energy, which recently won control of Carless Capel, at the end of last week.

Brewers were a good market on the expectation that the MMC report following its investigation into the tied house system will not come down too hard on the industry giants. A recent circular from the brewers team at Robert Fleming Securities said: "We do not think that the Commission will put forward measures that are too draconian for brewers to cope with."

Bass led the sector higher with a 15-point rise to 881p on renewed bid hopes and a bullish statement from the agm - the expected benefits from the new UK licensing hours have finally begun to show through in trading figures, said the company. Guinness gained 10 to 368p on turnover just short of 2m shares, while Scottish Newcastle added 5 at 405p and Allied Lyons also 5, at 473p.

Building stocks staged a sharp advance as the session drew to a close with traders still complaining of stock shortages across a broad front.

Sentiment was additionally boosted by a positive seminar on the building materials stocks given by Kleinwort Benson, the securities house. In this group Tarmac were especially wanted, closing 10¼ up at 271½p on turnover of 2.4m, while RMC were a similar amount higher at 562p and Marshalls Halifax 6 to 237p.

The contractors were highlighted by Higgs & Hill, up 13 at 335p and John Mowlem 20 firmer at 394p. Talk of further stake-building in Taylor Woodrow by P & O, which has a near 10 per cent stake, was shrugged aside by dealers; Taylor shares closed 21 firmer at 548p.

George Wimpey, one of the market's worst performers on Monday, remained an extremely active market with turnover reaching 4.4m; speculators were said to have piled back into the stock which settled 10 up at 291p.

The Stores sector had one of its best days since the Crash, as hopes that interest rates have reached their peak boosted sentiment. "The sector has been oversold for too long," asserted one dealer. The day was marked by the total lack of sellers, he said.

One of the features of the day was a switching recommendation from brokers Hoare Govett, who have recommended clients to sell Marks & Spencer and buy Boots. "Marks are looking quite expensive relative to the sector at the moment," said Mr Andrew Hughes of Hoare Govett. Mr Hughes noted that Marks & Spencer's earnings growth was lagging behind the market's average, whereas Boots' earnings growth was well in excess of the market.

Consequently Boots gained 6½p to 245½p as no less than 7.7m shares changed hands, while Marks added just 2 at 165p on turnover of 3m shares. Boots was one of five stocks singled out as worth holding by Morgan Stanley analyst Mr Nick Bubb: "The shares are technically well based and seem likely to carry on outperforming."

Among the other good performers were Woolworth, up 10 at 267p, W H Smith "A", up 10 at 258p, Burton 9½ better at 198p and Dixons, up 7 at 146p. Renewed bid talk in Sears failed to catch hold, and the shares closed 3 better at 121½p on turnover of 5.4m shares. Ward White, recently visited by several broking houses, closed steady at 239p.

A flurry of late buying interest from the US gave a boost to Racal Telecom which settled 5 firmer at 234p on turnover of 2.3m. Racal Electronics edged up in sympathy to close 3 harder at 326p with turnover coming out at 5.1m shares; the company was said to have held a seminar in London yesterday.

A more subdued engineering sector presented one outstanding feature in Thomas Robinson, up 15 at 436p on a buy recommendation from Robert Fleming Securities. Researchers Mr Rupert Lewin and Mr Jonathon Shantry select Thomas Robinson as an company with "attractive earnings and dividend growth prospects on a prospective price/earnings ratio of 7.2."

Ladbroke advanced 10½ to 480½p on the day when the company extended its offer for Thompson T-Line until February 15. Dealers said that Ladbroke - through its SIS subsidiary - should be well placed to pick up a sizeable share of the racing information business left behind when Extel closes down its racing service later this year. Moreover, Mr Roy Owens, analyst at Kitcat Aitken, believes that Ladbroke shares are fundamentally cheap against the sector. "The stock was left far behind during the market's recent rise, and we expect excellent 1988 results towards the end of March."

United Newspapers, the owners of Extel, closed 3 firmer at 398p.

Hestair appeared to over-react, falling 20 to 260p after Kleinwort Benson analyst Mr Matthew Sutherland shaved his full-year profits forecast to £21.3m from £23m previously. But late in the session Hoare Govett also downgraded - the second time in two weeks - to a marginally lower £21m. Hestair is due to report in April.

Waterford Glass also moved against the trend following the resignations of two directors, including the chairman, and the warning that profits will be "significantly affected" by "accounting errors". The shares closed 8 lower at 65p.

Other losers were British Island Airways, down 9 at 120p as speculative interest faded, and Expamet International which retreated 11 to 177p after announcing a £13.5m rights issue together with a £49m US acquisition. Blue Arrow dipped 2½ to 85½p, reflecting Citicorp Scrimgeour Vickers' advice of the shares being "fundamentally overvalued, sell on strength."

On the plus side, T&N rushed 11 higher to 190p and Aukett Associates rose 10 to 103p after favourable recommendations from County NatWest WoodMac. The securities house says of the former: "demand is still strong, and the rationalisation programme continues apace. The asbestos situation is contained, although a small provision for legal costs is possible".

Increased annual profits lifted RCO 9 to 137p and press mention took British Vita up 5 further to 237p. Elsewhere, Just Rubber jumped 9 to 85p and NMW Computers 8 more to 67p, while London International revived 6½ to 214½p.

Sudden late demand for English China Clays found the market very sensitive and the shares bounded ahead to end 15 up at 489p.

Rosehaugh was the star performer of the property sector as the shares climbed 23 to 555p on talk of an imminent "buy" recommendation from a leading broking house. Other stocks to make good ground were MEPC, up 10 at 555p, Greycoat 8 firmer at 437p and Land Securities 6 to the good at 585p. However, turnover in the major stocks was described as "very light."

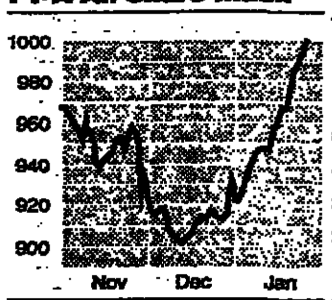
British & Commonwealth led financial trusts forward when speculation resurfaced of Dresdner Bank showing interest. Several above-average deals were reported as the shares rose 6 to 236p in heavier turnover of 4.5m. Burns-Anderson responded to newspaper comment with a rise of 6 to 100p.

Toy manufacturers Cassidy Bros made a satisfactory debut as the shares, introduced at 45p, advanced to 58p before dropping back to end at 53p.

BP took an outstanding share of traded options dealings, with 5,261 contracts handled, challenging the 5,326 in the FT-SE 100 Index. There was again heavy closing of January 250 call positions, reaching about a quarter of the 1,793 contracts handled in the series, and more closing in the April 260, alongside substantial opening in the April 240 puts, dealings in which totalled 1,385 contracts. Total calls in the stock were 3,833 and puts 1,428. Overall dealings came to 48,747 contracts.

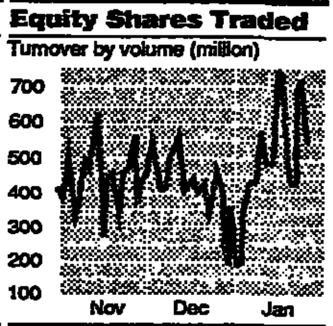
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 28

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (103).
BRITISH FUNDS (1) Treas. 2pc IL 1990, BANKS (3) Mitsubishi Bank, Royal Bk. of Scot., Anglo Leasing, BREWERS (2) Bass, Guinness, BUILDINGS (7) Magnet 5¾pc Pf. 2012, Bett Bros., RMC, Redland, Rugby Grp., Steetley, Tarmac, Taylor Woodrow, Venture Plant Grp., CHEMICALS (2) Restoldt, Schering, ELECTRICALS (6) Cont. Microwave, First Tech., Harland Simon, Meavier-Swain, Prestwick, Renishaw, ENGINEERING (8) Atlas Conv. Equ., Davy Corp., Elliot (B.), Fairey Grp. Thyssen, Tyzack, Weir Grp., Whessoe, FOODS (2) Bassett Foods, Tate & Lyle 7¼p Cv. Pf., HOTELS (1) Ladbroke, INDUSTRIALS (15) BTR, BTR Nylex, Channel Express, Dawson Grp., EIS, Hampson 6.5p Pf. 1991/2003, Hanson, Hepworth, Nu-Swift, Porter Chadburn, Reckitt & Colman, Securicor, Sthn. Business, Transport Dev., LEISURE (1) Henlmex, MOTORS (3) Airflow Streamlines, Dowty, Trinoco 11½pc Ln. 1995, NEWSPAPERS (1) Haynes Pub., PAPERS (2) Clarke Hooper, More O'Fer., PROPERTY (5) HK Land, Mucklow (A. & J.), Rowlinson, Scot. Metrop., Town Centre, TEXTILES (1) Hicking Pentecost, TRUSTS (40), OILS (1) Century, PLANTATIONS (1) Anglo-East, MINES (1) Emperor Mines.

NEW LOWS (17).
CHEMICALS (1) Cambridge Isotope Labs., STORES (1) Honeysuckle, ELECTRICALS (2) Alphameric, Feedback, INDUSTRIALS (4) Green (E) & Part., Harding Grp., Omnitech, Sharpe & Law 8½pc Cv. Pf., MOTORS (1) Spice, TEXTILES (1) Mackay Hugh, TRUSTS (1) GPG, OILS (2) Claremont (UK), Fairhaven Intl., MINES (3) Durban Deep, Elsburg, Eastmet, THIRD MARKET (1) Comac.

APPOINTMENTS

Senior posts at Girobank

GIROBANK has appointed Mr Sean Clarke to the new position of general manager, clearing operations. He previously held the post of head of clearing and data capture and is the bank's representative on the Cheque and Credit Clearing Company and BACS boards.

Mr Alistair Macleod has been appointed general manager, Scotland and Northern Ireland. He previously held the post of vice president/branch manager (Edinburgh) with the Bank of America.

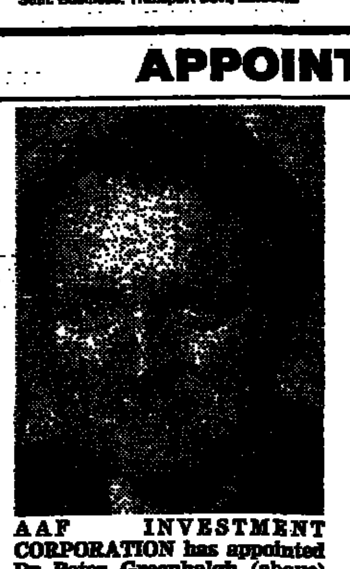
Mr Ian Drew has been made regional manager, corporate services, London. He was vice president, international markets group, with the Bank of America.

Mr John Wood has become head of information technology planning. He joins from Goldman Sachs International Corporation where he was computer services manager.

■ CL-ALEXANDERS LAING AND CRUICKSHANK has appointed Mr Russell Leiman as chief executive of the group's institutional equities division.

He joins from Citicorp Scrimgeour Vickers International in London (formerly Vickers da Costa) where since June 1988 he has been chief executive officer. Between 1985 and 1988 he was president of Vickers da Costa Securities Inc. in the US.

Mr Leiman's responsibilities will be for research, sales, market making and operations in the institutional equity division. He said he was joining the group, which is owned by Credit Lyonnais of France, because "it is building up a lot of momentum" under its new chairman, Mr Ian Hay Davison.



AAF INVESTMENT CORPORATION has appointed Dr Peter Greenhalgh (above) its managing director and chief executive from February 1. He will establish a London head office and spearhead the expansion of the company in the UK and internationally. Mr Greenhalgh, a non-executive director of AAF, was an adviser to the parent company, FSI Corporation.

■ Mr J.L. Rennocks has been appointed executive director (finance) of the power generation division of the CENTRAL ELECTRICITY GENERATING BOARD. He will resign as finance director of Smith & Nephew towards the end of March. Mr C.K. Lomax has taken over Mr Rennocks' post as company secretary in addition to his present responsibilities as group financial controller.

■ PRIVATBANKEN, Denmark, has appointed Mr Peter Green as head of treasury at its London branch. He was head of the customer section in Copenhagen. He succeeds Mr Ivan Rasmussen, an executive director, who is moving to Privatbanken Singapore as senior vice president. Mr Rasmussen is replacing Mr Henrik Bjorn who has been appointed executive vice president and general manager of the bank in New York.

■ ARK SECURITIES, European stockbroking specialist owned by Banque Nationale de Paris, has appointed Mr Martyn Page to the board. He was investment director at Oppenheimer Fund Management.

■ DE MONTFORT INSURANCE CO., Leicester, has appointed Mr David Bazely, Mr Harry Kelly and Mr Martyn Ward to the board. Mr Lindsay Berry has resigned from the board to concentrate on group activities.

■ TIP EUROPE has appointed Mr Sandy Anderson to its main board as an executive director. He is managing director of all the group's subsidiaries in the UK and Ireland, a post he retains.

■ Mr Ron Tregoning has been appointed vice president of project management based in London for SEAGRAM INTERNATIONAL.

■ GROSVENOR INTERNATIONAL HOLDINGS, Vancouver, a subsidiary of The Grosvenor Estate, has promoted Mr Daryl J.A. Delmotte, chief operating officer, to group chief executive and president. Mr David A. Fitzgerald has been promoted to group executive vice president, from chief financial officer. Mr David A. Taylor has been promoted to group chief financial officer, from vice president of finance. Mr Neville E. Gibson has retired as chief executive officer.

■ EMI MUSIC WORLDWIDE has appointed Mr John F. Gillespie as vice president, human resources. He will be based in New York, and succeeds Mr Allen Harford who retires at the end of January. Mr Gillespie joins from Cadbury Schweppes Beverage where he was senior vice president, human resources.

■ Mr John M. Emery has been appointed director of legal services for BOVIS HOMES, a P and O Group company.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	44.94	45.40	48.29	-0.44	5.67
Gilts & Fixed Int	6	113.8	113.8	120.8	+0.4	8.28
High Inc Equity	6	120.1	122.3	130.7	+0.4	4.56
Worldwide Bond	6	188.5	188.5	199.8	-0.1	4.35
Capital Growth						
American Growth	6	149.2	149.2	159.6	-2.8	1.36
Asian Pacific	6	72.64	73.90	79.81	+0.74	1.37
Assets & Earnings	6	142.8	146.0	156.3	+0.8	2.57
Capital Reserve Acc	0	82.50	82.50	82.45	+0.22	4.84
Commdty & Energy	6	94.44	94.44	101.1	+0.1	0.00
1992 Enterprise	6	49.38	50.40	53.91	+0.12	3.36
European Capital	6	76.26	76.74	81.63	+0.44	0.92
General	6	159.2	162.1	172.4	+0.7	2.61
Japan	6	101.8	103.5	110.1	+1.0	0.00
Mastertrust	6	75.19	75.19	80.42	-0.16	1.84
UK Growth Acc	6	177.0	184.9	196.6	+0.8	1.35
UK Growth Dist	6	118.3	124.0	131.9	+0.5	2.02
US Emerging Cos	6	45.56	47.03	50.03	-0.46	0.00
Income & Growth	6	258	272.4	288.7	-0.9	7.29
Ethical	6	43.96	45.09	47.96	-0.32	2.61

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0224 633070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	41.56	41.56xd	44.21	....	1.97
Australian	5¼	23.54	23.54	25.04	....	1.27
European	5¼	50.96	50.96	54.21	....	0.00
Extra Income	5	39.52	39.52xd	41.95	+0.29	6.76
Fund Inv Tst	5	107.7	107.7	114.4	....	2.41
Do Accum	5	164.1	164.1	174.4	....	2.41
Gilt & Fixed Int	5¼	21.77	21.77	23.16	....	10.23
Global Income	5¼	36.47	36.47	38.80	....	4.90
Income & Growth	5¼	66.23	66.23xd	70.46	....	4.24
Japan	5¼	174.1	174.1	185.2	....	0.01
Nth Amer Inc (z)	5	25.66	25.66	27.23	-0.2	3.99
Special Situations	5¼	65.18	65.18	69.34	....	2.19
UK Growth	5	33.03	33.03	35.06	+0.11	2.76
World Grth	5	42.70	42.70	45.32	+0.18	0.50

Formerly Sentinel Funds Management Ltd
[illegible]

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 01-935 [illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -
Income Growth	1	172.3	172.3	178.5	+6.0 [illegible]

Buckmaster Mangmt Co Ltd (1200)H
The Stock Exchange, London EC2P 2JT 01-588 [illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -
Emerging Grth	5	59.16	60.75	64.46	+0.22
(Accum Units)	5	60.02	61.62	65.38	+0.22
Fellowship Tst	5	60.51	60.51	63.99	+0.27
(Accum Units)	5	61.67	61.67	65.22	+0.27
General Inc	5	272.0	272.0	287.5	+0.9
(Accum Units)	5	452.4	452.4	478.3	+1.4
Income	5	143.1	147.5	156.3	+0.7
(Accum Units)	5	273.5	281.8	299.0	+1.2
International	5	109.5	109.5	115.8	+0.3
(Accum Units)	5	148.4	148.4	156.9	+0.4
Smaller Co's	5	95.53	98.11	104.1	+0.9
(Accum Units)	5	104.4	107.3	113.8	-1.0
Inv Portfolio	2½	50.30	52.12	53.73	+0.23

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 01-480 [illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -
SN Ded Gilt & FI	1¼	52.78	52.78	53.51	+0.01

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD 01-740 [illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -
UK General Tst	5½	48.74	48.74xd	52.95	-0.19
Global Tst	5½	38.63	38.63	41.49	+0.06
Recovery Tst	5½	51.05	51.05	54.45	-0.22

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01-234 [illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -
Growth Fd Acc	5	97.71	99.11xd	104.6	+0.4

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY 01-242 [illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -
CS America	5	52.14	52.14	56.46	-0.49
CS International	5	51.19	51.19	54.45	-0.01
CS Japan	5	118.8	118.8xd	126.3	+1.2
CS Portfolio Inv &	5	62.01	62.01	65.96	+0.35

Canada Life Unit Tst Mgrs Ltd (1200)H
2-6 High St, Potters Bar, Herts 0707 [illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -
Can Gen Dist	5	125.7	130.6xd	137.4	+0.20
Do Gen Accum	5	209.6	217.8	229.3	+0.20
Do Income Dist	5	88.27	91.86	96.70	+0.23
Do Inc Accum	5	198.3	206.5	217.4	+0.60
Gilt & Fxd Int	5	37.87	38.01	40.01	+0.01

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: [illegible] - 0001 to 1100 hours; [illegible] - 1101 to 1400 hours; [illegible] - 1401 to 1700 hours; [illegible] - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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Wardley Unit Tst Mngrs Ltd

Waverley Unit Tst Mngmt Ltd

Wellington Fund Mngrs Ltd

Wessex Asset Management

Whittingdale Unit Tst Mgmt Ltd

Windsor Trust Mngrs Ltd

Wright Seligman Fund Mngrs Ltd

The Yorkshire Unit Tst Mngrs Ltd

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Cent. Bd. of Fin. of Church of England

Charities Official Invest. Funds

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Foreign & Colonial Pens Mngt Ltd

Funds in Court

Henderson Unit Trust Management Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

M&G Ltd

Morgan Grenfell Inv Mngmt Ltd

Murray Johnstone UT Mngmt

New Court Property Fund Managers

Phillips & Drew Fund Management Ltd

J. Rothschild Fund Managers Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Abtrust Management Ltd

AEtna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Assce. Co Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

British National Financial Services

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Insurance Co of America

Commercial Union Group

Cornhill Insurance PLC

Criterion Assurance Group

Crown Financial Management Ltd

Crown Financial Management Ltd - Contd.

Crusader Insurance Plc

Devonshire Life

Eagle Star Insurance Co Ltd

Eagle Star Insur./Midland Assur.

Economic Insurance Company Ltd

Edinburgh Money Management Ltd

Equitable Life Assurance Society

Equity & Law

FS Assurance Limited

Family Assurance Society

Framlington Life Insurance Ltd

Friends' Provident

GT Management Ltd

General Accident Linked Life Assurance Ltd

General Portfolio Life Insur Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

Growth & Sec. Life Assur. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Hill Samuel Life Assur. Ltd—Contd.

Homeowners Friendly Society

Ideal Insurance Co Ltd

Imperial Trident Life Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

The LAS Group

Lancashire & Yorkshire Assce Society

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

London & Manchester Group

London A'dam & Nthn. Mtl. Assur. Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

M & G Life and M & G Pensions

MGM Assurance

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance Co Ltd

Midland Life Limited

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Schroder Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Continued on next page

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BERMUDA AUTHORISED

OFFSHORE INSURANCES

JERSEY AUTHORISED

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY AUTHORISED

IoM AUTHORISED

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988/89 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
102¾	99⅜	Treas 11½pc 1989	99½	.....	-	-
101⅞	98½	Treas 9½pc Cnv 1989	99¼	+⅛	9.56	12.21
98¾	95¾	Treas 3pc 1989	98⅛	.....	3.06	9.28
102⅛	98½	Treas 10½pc 1989	99¼	+⅛	10.58	12.35
102	98⅜	Exch 10pc 1989	98¾	+⅛	10.11	12.36
103⅜	98½	Exch 11pc 1989	99¼	+⅛	11.08	12.13
97⅞	94⅛	Treas 5pc 1986-89	96⅜	+⅛	5.19	10.33
104⅜	98⅝	Exch 10¼pcCv '89	99⅜	.....	10.31	11.04
107⅛	101⅛	Treas 13pc 1990‡‡	101⅝	+⅛	12.81	11.32
104⅛	99⅛	Exch 11pc 1990‡‡	99¾	+⅛	11.03	11.28
107⅛	100⅛	Exch. 12¼pc 1990	101⅛	.....	12.35	11.35
93⅛	90⅛	Treas. 3pc 1990	92⅛	+⅛	3.20	9.68
99⅝	95⅛	Treas 8¼pc 1987-90‡‡	96⅛	-⅛	8.57	11.19
102⅛	95⅝	Treas. 8pc Cv 1990‡‡	97⅛	-⅛	8.20	9.84
103⅞	97⅛	Treas. 10pcCv 1990	98⅜	.....	10.17	11.03
91⅜	87⅛	Exch 2½pc 1990	89⅜	+⅛	2.81	9.22
107⅛	100⅜	Treas 11¾pc 1991	101⅜	-⅛	11.59	10.95
95⅜	89⅜	Funding 5¾pc '87-91‡‡	91⅜	+⅛	6.32	10.45
90⅜	86	Treas. 3pc 1991	87⅛	+⅛	3.44	9.30
105⅜	97⅜	Treas 10pc Cv '91‡‡	99⅛	-⅛	10.05	10.20
107⅛	98⅜	Exch. 11pc 1991	100⅜	-⅛	10.92	10.66
98⅜	91⅜	Treas. 8pc 1991	93⅜	-⅛	8.54	10.60
113⅛	103⅜	Treas 12¾pc 1992‡‡	105⅜	-⅛	12.03	10.37
104⅜	96⅝	Treas 10pc 1992	99	-⅛	10.10	10.39
98⅛	91¼	Treas. 8pc 1992‡‡	93⅛	-⅛	8.55	10.40
106⅛	98⅛	Treas 10½pc Cv 1992‡‡	100⅜	-⅛	10.47	10.39
86⅛	81⅜	Treas. 3pc 1992	83⅜	+⅛	3.59	8.74
112⅜	102⅜	Exch. 12¼pc '92	105⅜	-⅛	11.63	10.44
117⅜	106⅛	Exch 13½pc 1992	109⅛	-⅛	12.36	10.38
97⅛	91	Treas 8¼pc 1993	93⅜	-⅛	8.80	10.16
105⅛	96⅜	Treas 10pc 1993‡‡	99⅜	.....	10.05	10.09
115⅜	105⅛	Treas 12½pc 1993‡‡	108⅛	-⅛	11.56	10.20
93⅛	85⅛	Funding 6pc 1993‡‡	86⅛	.....	6.94	9.67
121⅞	110⅛	Treas 13¾pc 1993‡‡	113⅜	-⅛	12.16	10.22

Five to Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1988 106.2 and for December 1988:110.3

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

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AMERICANS—Contd

1988/89 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
154p	44p	♥Unilab	140p	+2	—	—	—
24¼	17⅝	Utd. Technologies	24⅛	−⅛	$1.60	—	3.6
163p	27p	♥Utilitech Inc	147p	+2	—	—	—
34⅝	26¼	US West‖	32¼	−⅛	$3.52	—	5.9
24⅞	16¾	Waste Management $1	23⅛	−⅛	48c	—	1.1
16⅞	12⅞	Whirlpool $1	14⅝	−⅛	$1.10	—	4.2
20⅝	15¾	Whitman Corp	19⅞	.....	96c	—	2.8
33¾	18¼	♥Woolworth $3½	28⅝	−1	$1.64	—	3.2

CANADIANS

1988/89 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	134p	♥ABM Gold Corp‖	142p	−½	—	—	—
32p	4½p	♥Abbot Energy Corp	4¼p	.....	—	—	—
14¼	882p	♥Amer. Barrick Res	11¼	+¼	—	—	—
10p	2½p	♥Amer. Lightwave‖	2⅞p	.....	—	—	—
47p	7½p	♥Armeno	18½p	.....	—	—	—
76p	24p	♥Augmitto Explo	30½p	−1½	—	—	—
14⅝	10⅝	Bk. Montreal‖	13⅞	−⅛	$2.00	—	6.6
769p	514p	Bk. Nova Scot.‖	686p	−21	84c	—	5.6
18¼	15¼	BCE‖	17⅞	−⅛	$2.44	—	6.3
716p	527p	♥Bow Valley‖	657p	−28	†40c	—	2.8
13¼	10½	♥Brascan‖	13¼	−¼	88c	—	3.0
328p	177p	♥Breakwater Res	201p	−1	10c	—	2.3
12¼	801p	Can. Imp Bank‖	12	−⅛	$1.16	—	4.4
11½	841p	Can. Pacific‖	10⅝	−⅛	76c	—	3.3
41½	38¼	Do 4pc Deb £100	38½	.....	4%	—	10.4
515p	357p	Central Capital "A"‖	379p	+5	—	—	—
485p	313p	♥Corona Corp	403p	−1	—	—	—
886p	228p	♥Cons TVX Min	298p	+31	—	—	—
371p	35p	♥Danbus Mem. Syst.‖	48½p	.....	—	—	—
686p	430p	♥Derlan Inds.‖	563p	−7	11.75c	—	1.0
14½	746p	♥Echo Bay Mines	859p	+4	$0.07	—	0.3
839p	249p	♥ECO Corp‖	480p	−31	—	—	—
40p	11½p	♥Energex Minerals‖	14½p	.....	—	—	—
125p	83p	♥Euro-Asia Capital‖	106½p	−½	—	—	—
386p	196p	♥Galactic Resources	223p	.....	—	—	—
423p	267p	Gandalf Techs. Inc	299p	−1	—	—	—
125p	41p	♥Geodome Res	50p	.....	—	—	—
394p	141p	Granges Expln‖	182p	+13½	—	—	—
19½p	4½p	♥Gt Pacific Res	19p	−½	—	—	—
903p	576p	♥Gulf Canada‖	740p	−28	52c	—	3.2
12⅛	816p	♥Hawker Sid Can‖	11¼	.....	$1.08	—	4.5
590p	344p	♥Henlys Group	483p	−25	—	—	—
12½	785p	♥Hudson's Bay‖	12	−¼	60c	—	2.3
28	20¼	♥Imperial Oil‖	24¼	−1	$1.80	—	3.4
20⅞	10⅛	Inco‖	16½	.....	US$0.80	—	2.7
718p	462p	♥Inland Nat. Gas $1	618p	−8	60c	—	4.5
250p	100p	♥Madeleine Mines	135p	−2	—	—	—
207p	126p	♥Muscocho Expln	187p	−1	—	—	—
187p	45p	♥Ntnl Business Syst.‖	48p	.....	—	—	—
245p	87½p	♥Nevada Goldfields	182p	+2	—	—	—
12⅛	787p	♥Rio Algom	11⅞	.....	$1.30	—	5.0
18⅛	11½	Royal Bk. Can.‖	17¼	−⅛	$2.20	—	5.6
38¼	26⅝	Seagram‖	38	−⅛	US$1.20	—	1.7
361p	74½p	♥Sonora Gold Corp‖	83p	.....	—	—	—
121p	18p	♥Spiral Eng‖	78½p	−2½	—	—	—
150p	35p	♥Tam Pure Tech. Corp‖	94½p	−2½	—	—	—
18⅛	11⅛	Toronto-Dom. Bk.‖	17⅜	.....	$1.12	—	2.9
742p	566p	♥Trans Can Pipe	707p	.....	68c	—	4.4
205p	127p	Varity Corp‖	168p	−4	—	—	—

BANKS, HP & LEASING

1988/89 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
•269	124	ANZ SA1	267	+3	k034½c	♦	6.3	♦
•271	180	Allied Irish	256	+1	F072.9%	3.1	6.0	8.8
£13¼	£10¾	Algemene Fl.10	£11¼	.....	Q27%	1.9	6.5	—
73	58	Anglo Irish	63	.....	019.69%	1.2	7.2	18.0
90	64	Ansbacher (H.) 1p	79	.....	2.0	—	3.4	—
£54½	£30¾	B'caire Cie Fr100	£48¾	.....	Q10%	—	1.9	—
£40½	£24½	Banco Bilbao Viz	£38½	−⅛	067.2%	3.1	4.3	7.4
£36	£27¼	Banco de Santander	£31½	+⅛	Q22%	2.4	1.7	24.4
•272	184	Bank Ireland IrE1	253	+3	05.67%	3.3	5.2	7.9

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

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LEISURE—Contd

1988/89 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
99	70	HTV Ord	98	+5	13.9	3.4	5.3	7.0
153	45	Haslimex A$0.25	153	+4	015c	♦	4.7	♦
163	137	Hi-Tec Sports	154	–1	13.6	3.4	3.4	9.8
32	13	Int'l Media Cons. 5p	18	.....	–	–	–	–
79	49	Jullana's Hldgs 2p	72	.....	12.85	1.4	5.3	15.8
48½	32	Kunick 10p	47½	.....	1.4	♦	3.9	♦
193	122	LWT 5p	171	+1	5.7	2.6	4.4	11.0
448	183	LandLeisure 10p	374	.....	8.0	4.6	2.9	9.9
*118	68	Leisure Inv 10p	93	.....	1.75	1.4	2.5	28.3
*112	64	Leisuretime Int 10p	83	+1	–	–	–	–
440	235	Marina Dev. 50p	343	.....	u2.0	3.5	0.8	47.3
218	156	Mecca Leisure 10p	178	–2	4.5	♦	3.4	♦
127	79	Medminster 10p	109	+1	3.67	2.6	4.5	11.5
197	110	Metro-Radio Grp 5p	172	.....	13.0	2.3	2.3	19.8
182	126	Midsummer Lels 10p	182	+3	2.8	♦	2.1	♦
513	200	Miss World 10p	513	+5	8.0	2.6	2.1	25.0
62	32	Multimax Visions 50p	37	.....	–	–	–	21.3
155	120	Noble Raredon 5p	135	.....	h1.35	1.5	1.3	66.7
169	87	Orion Ex Wts $0.125	127	.....	–	–	–	–
*89	61	Owners Abroad 3p	81	.....	q2.1	1.9	3.5	24.3
180	108	Pavilion Leisure 10p	112	.....	–	–	–	–
235	55	P'dilly Radio NV5p	215	–2	3.25	♦	2.0	♦
264	175	Pickwick	228	.....	12.6	2.9	1.5	29.8
*233	135	Pleasurama 7pc Pf	213	.....	7%	–	4.4	–
150	113	Prestwich	118	–1	1.25	7.5	1.4	12.6
144	78	Prism Leisure 10p	140	–1	4.46	2.6	4.3	11.7
*254	122	Quadrant Group 10p	236	+12	F3.6	3.4	2.0	20.1
382	97	Radio City 'A' NV	372	+2	6.0	4.2	–	14.7
276	89	Radio Clyde	258	–2	5.75	2.9	3.0	15.7
610	494½	Really Useful Grp 5p	567	–3	15.0	2.3	3.5	16.7

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... y	69	+1
Craig & Rose £1 .. y	718	.....
Finlay Pkg 5p .... y	85	–1
Holt (Jos) 25p .... y	1215	+5

IRISH

Cap. 8½% Ln. 1991	£99½	.....
9pc Cap Ln. 1996	£100¾	+⅛
Fin. 13% 97/02	£122⅛	.....

Arnotts	390	.....
Carrol (P.J.) ..... y	156	+3
For Grafton Group see Industrials (Misc)		
Hall (R & H)	157	–1
Helton Hldgs ..... y	67	+2
Irish Ropes	165	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	65
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	40
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	50
Peachey	54

Oils

Brit Petroleum	21
Do. (P Paid)	12
Burmah Oil	40
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines

Cons Gold	130
Lonrho	30
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firmer but nervous

THE DOLLAR recovered from a weak start in currency trading yesterday following comments by Mr Alan Greenspan, chairman of the US Federal Reserve Board. However, investors were cautious because of the threat of renewed central bank intervention, and the US unit slipped a little during the afternoon. However, there was no obvious move by central banks and the dollar improved once more to finish near to the day's high and up from Monday's closing level.

A further consideration was, of course, high US interest rates and concern that the Fed may push rates even higher, and the big players were understandably less anxious to go short on dollars.

Speaking to the US House of Representatives Banking Committee, Mr Greenspan stressed the need to maintain a firm trend in US interest rates in order to control inflation.

The dollar had opened around one pfennig lower against the D-Mark. During the morning many traders were unwilling to open fresh positions because of recent central bank intervention. With the determination of the banks to try and contain the dollar's recent rise all too apparent, institutional investors were initially tempted to test the dollar's downward potential.

The softer tone during the morning came after comments by Mr Leonhard Gleske, a board member of the West German Bundesbank. Speaking late on Monday, he stressed that the West German authorities would be happy to see the dollar retreat below the DM1.80 level.

Central banks have the advantage of selling into a market where the dollar is viewed as technically overbought. Investors for their part have previously shown a willing to buy on the dips, the emphasis in early trading yesterday switched to selling.

The dollar closed at Y127.55 from Y127.80 and finished elsewhere at SFr1.5610 from SFr1.5575 and FFr6.2700 against FFr6.2575. On Bank of England figures, the dollar's exchange rate index fell to 66.6 from 66.8. However, early trading in New York saw the dollar drift back from its European close to DM1.8395.

Sterling was initially dragged down against the D-Mark on the dollar's initial weakness. It recovered as the dollar finished above the day's lows to finish near its best level of the day. The softer tone was seen as being slightly overdone. Recent conjecture about lower UK base rates is regarded as being premature, and high rates mean a higher pound.

The pound managed to hold at support around DM3.2450, and finished to close at DM3.2600, unchanged from Monday. Chart analysis suggests that the pound could test DM3.4000 in the medium term. For the time being, however, any recovery is likely to be limited until the release of UK trade figures for December due on Friday.

The pound finished at $1.7695 from $1.7735 and Y225.75 down from Y226.75. Elsewhere it closed at Fr11.0950 compared with FFr11.0975. It was unchanged against the Swiss franc at SFr2.7625. On Bank of England figures, sterling's exchange rate index finished unchanged from the opening at 97.8 although this was down from the close on Monday of 98.0.

£ IN NEW YORK

Jan 24	Latest	Previous Close
£ Spot	1.7800-1.7810	1.7755-1.7765
1 month	0.62-0.60pm	0.62-0.60pm
3 months	1.55-1.51pm	1.55-1.52pm
12 months	4.28-4.18pm	4.25-4.15pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.24	Previous
8.30 am	97.8	98.0
9.00 am	97.7	97.9
10.00 am	97.7	97.9
11.00 am	97.8	98.0
Noon	97.8	98.0
1.00 pm	97.7	98.0
2.00 pm	97.7	98.0
3.00 pm	97.7	98.0
4.00 pm	97.8	98.0

CURRENCY RATES

Jan.24	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.744947	0.641682
U.S Dollar	6.50	1.31811	1.14123
Canadian $	11.54	1.56631	1.36350
Austrian Sch.	4	17.1117	14.6603
Belgian Franc	7.75	50.9318	43.6378
Danish Krone	7½	9.43371	8.08562
Deutsche Mark	4	N/A	2.08446
Neth.Guilder	5.00	2.74694	2.35310
French Franc	9½	8.28564	7.09560
Italian Lira	12½	1784.16	1526.85
Japanese Yen	2½	168.520	144.879
Norway Krone	8	8.83002	7.57321
Spanish Peseta	-	151.378	129.884
Swedish Krona	8½	8.27971	7.11672
Swiss Franc	4	2.06218	1.76491
Greek Drach.	20½	201.895	173.285
Irish Punt	-	N/A	0.778732

*All SDR rates are for Jan.23

CURRENCY MOVEMENTS

Jan.24	Bank of England Index	Morgan** Guaranty Changes %
Sterling	97.80	-14.1
U.S Dollar	66.6	-11.9
Canadian Dollar	102.1	-0.8
Austrian Schilling	106.5	+9.6
Belgian Franc	105.8	-6.3
Danish Krone	103.3	-1.9
Deutsche Mark	112.5	+20.2
Swiss Franc	108.8	+18.1
Guilder	109.9	+12.7
French Franc	98.8	-15.9
Lira	97.6	-20.2
Yen	150.9	+83.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Jan.23.

OTHER CURRENCIES

Jan 24	£	$
Argentina	29.6435-29.8025	16.7100-16.9100
Australia	2.0145-2.0170	1.1355-1.1365
Brazil	1.7500-1.7800	0.9900-1.0000
Finland	7.5095-7.5225	4.2370-4.2390
Greece	267.65-272.15	150.15-152.90
Hong Kong	13.8375-13.8505	7.8000-7.8020
Iran	123.50*	69.25*
Korea(Sth)	1205.15-1214.85	678.30-683.90
Kuwait	0.50670-0.50720	0.28550-0.28560
Luxembourg	67.90-68.00	38.35-38.45
Malaysia	4.7960-4.8070	2.7040-2.7070
Mexico	4076.70-4088.55	2297.00-2303.00
N Zealand	2.8915-2.8965	1.6300-1.6325
Saudi Ar.	6.6560-6.6620	3.7500-3.7510
Singapore	3.4315-3.4375	1.9350-1.9370
S Af (Cm)	4.2095-4.2210	2.3700-2.3730
S Af (Fn)	6.7620-6.8930	3.8095-3.8835
Taiwan	49.00-49.25	27.60-27.70
U.A.E.	6.5185-6.5245	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.24	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6378	+2.78	+0.83	±1.5344
Danish Krone	7.85212	8.08562	+2.97	+1.02	±1.5404
German D-Mark	2.05853	2.08446	+1.26	-0.69	±1.0981
French Franc	6.90403	7.09560	+2.77	+0.82	±1.3674
Dutch Guilder	2.31943	2.35310	+1.45	-0.50	±1.5012
Irish Punt	0.768411	0.778732	+1.34	-0.61	±1.6684
Italian Lira	1483.58	1526.85	+2.92	+1.72	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Jan.24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7680-1.7830	1.7690-1.7700	0.61-0.58cpm	4.04	1.56-1.51pm	3.47
Canada	2.0965-2.1170	2.0980-2.0990	0.45-0.35cpm	2.29	0.93-0.79pm	1.64
Netherlands	3.66-3.68¼	3.67½-3.68½	2¼-2¼cpm	7.54	6⅛-5⅞pm	6.52
Belgium	67.85-68.30	67.90-68.00	36-31cpm	5.92	91-82pm	5.09
Denmark	12.59¼-12.64	12.62-12.63	5¾-5¼orepm	5.23	14¾-14pm	4.55
Ireland	1.2120-1.2180	1.2160-1.2170	0.58-0.53ppm	5.47	1.50-1.35pm	4.69
W. Germany	3.24-3.26¼	3.25¼-3.26¼	2¼-2¼pfpm	8.05	5¾-5⅝pm	6.98
Portugal	264.90-267.10	266.10-267.10	55-17cpm	1.62	100-8pm	0.81
Spain	201.80-202.80	202.50-202.80	24-13cpm	1.10	28-60dis	-0.87
Italy	2377¾-2384½	2384½-2385½	3-1lirepm	1.01	6-4pm	0.84
Norway	11.79¼-11.81¼	11.79-11.80	2-1½orepm	1.78	4¾-4½pm	1.57
France	11.04-11.10	11.09-11.10	4¾-4¼cpm	4.66	11¾-11¼pm	4.17
Sweden	11.08-11.10½	11.08-11.09	2½-2⅛orepm	2.50	6⅝-6pm	2.28
Japan	225-226¼	225¼-226¼	1¾-1⅝ypm	8.97	4¾-4½pm	8.08
Austria	22.73-22.87	22.89-22.92	12¾-11¼gropm	6.29	36¼-32¾pm	6.08
Switzerland	2.74½-2.76¾	2.75¾-2.76¾	1¾-1⅝cpm	7.87	5-4⅞pm	7.15

Belgian rate is convertible francs. Financial franc 68.15-68.25. Six-month forward dollar 2.69-2.64cpm 12 months 4.30-4.20cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan.24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7680-1.7830	1.7690-1.7700	0.61-0.58cpm	4.04	1.56-1.51pm	3.47
Ireland†	1.4575-1.4700	1.4575-1.4585	0.26-0.31cdis	-2.34	0.60-0.70dis	-1.78
Canada	1.1845-1.1875	1.1865-1.1875	0.16-0.19cdis	-1.77	0.53-0.57dis	-1.85
Netherlands	2.0545-2.0810	2.0795-2.0805	0.60-0.57cpm	3.40	1.64-1.60pm	3.13
Belgium	38.05-38.45	38.35-38.45	7.00-5.00cpm	1.88	18.00-14.00pm	1.67
Denmark	7.06-7.14¼	7.13¼-7.13¾	0.80-0.55orepm	1.14	2.35-1.75pm	1.15
W. Germany	1.8195-1.8435	1.8425-1.8435	0.60-0.57pfpm	3.83	1.63-1.59pm	3.52
Portugal	149½-151	150½-151	20-40cdis	-2.39	75-125dis	-2.66
Spain	113.35-114.55	114.45-114.55	25-30cdis	-2.91	83-90cdis	-3.05
Italy	1335-1348¼	1347¾-1348¼	3.10-3.80liredis	3.09	8.90-9.90dis	-2.80
Norway	6.62-6.66¼	6.66¼-6.66¾	1.15-1.40oredis	-2.30	3.20-3.60dis	-2.05
France	6.19½-6.27¼	6.26¾-6.27¼	0.37-0.30cpm	0.64	1.18-1.03pm	0.71
Sweden	6.22-6.26¾	6.26¼-6.26¾	0.65-0.85oredis	-1.44	1.65-1.95dis	-1.15
Japan	126.25-127.70	127.50-127.60	0.56-0.53ypm	5.15	1.51-1.48pm	4.70
Austria	12.79½-12.89	12.88½-12.89	2.80-2.10gropm	2.28	9.50-7.50pm	2.64
Switzerland	1.5410-1.5615	1.5605-1.5615	0.54-0.51cpm	4.06	1.47-1.42pm	3.73

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.50-38.60.

EURO-CURRENCY INTEREST RATES

Jan.24	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13⅛-13	13⅛-13	13⅛-13¹⁄₁₆	13⅛-13	12⅞-12¾	12⅞-12¾
US Dollar	9-8⅞	9⅛-9	9¼-9⅛	9½-9¼	9½-9⅜	9⅝-9½
Can. Dollar	10¼-10½	10¼-10½	10⅜-10⅜	11⅛-10⅞	11⅛-11¼	11⅜-11⅛
D. Guilder	6⅛-5⅞	6⅛-5⅞	6⅛-5⅞	6⅜-6⅛	6½-6⅛	6⅝-6¼
Sw. Franc	5-4⅞	5¼-5	5⅝-5⅛	5⅝-5⅜	5⅝-5½	5⅞-5⅜
Deutschmark	5⅛-5	5¼-4⅞	5⅝-5⅜	5⅞-5⅝	6-5⅞	6⅛-5⅞
Fr. Franc	8½-8⅜	8½-8⅜	8⅝-8½	8⅝-8⅝	8⅝-8⅝	8⅞-8⅝
Italian Lire	11-9	13-12	12¼-11⅞	12⅛-11⅞	12¼-11⅞	12⅛-12
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 9⅛-9⅞ per cent; three years 9⅞-9⅝ per cent; four years 9⅞-9⅝ per cent; five years 9⅞-9⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

London rates firm

INTEREST RATES were slightly firmer on the London money market yesterday, reflecting nervousness ahead of Friday's UK trade figures for December. Three-month interbank rose to 13⅛-13⅛ p.c. from 13⅛-13 p.c., and one-year firmed to 12⅞-12⅞ p.c. from 12¾-13⅝ p.c.

The Bank of England initially forecast a money market credit shortage of around £850m, but revised this to £650m before lunch. Total assistance of £598m was provided.

An early round of help was offered, and at that time the authorities bought £477m bills, including £89m outright, by way of £2m local authority bills in band 1 at 12¾ p.c.;

UK clearing bank base lending rate 13 per cent from November 25

£55m bank bills in band 1 at 12¾ p.c.; £11m bank bills in band 2 at 12⅞ p.c.; £10m bank bills in band 3 at 12⅞ p.c.; and £11m bank bills in band 4 at 12¾ p.c. Another £388m bills were purchased, for resale to the market on January 31, at a rate of 12⅞ p.c.

In further operations during the morning the Bank of England purchased £73m bank bills in band 3 at 12⅞ p.c. In the afternoon a further £8m bank bills were bought outright, in band 2 at 12⅞ p.c. Late assistance of around £40m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £342m, with the unwinding of repurchase agreements by the market absorbing £364m, and Exchequer transactions £205m. These factors outweighed a fall in the note circulation adding £70m to liquidity and bank balances above target of £10m.

In New York the Federal Reserve added $2bn to the banking system via customer repurchase agreements, when Federal funds were trading at 9⅛ p.c.

In Frankfurt credit conditions improved, as the D-Mark rose against the dollar. Call money was quoted as low as 4.75 p.c., compared with 5.05 p.c. on Monday.

This led to suggestions that the Bundesbank will drain liquidity at this week's 28-day securities repurchase agreement tender. The securities pact has been offered at no minimum bid rate, as an earlier agreement of DM16.5bn expires.

In Paris the Bank of France left its money market intervention rate at 8.25 p.c. at a securities repurchase tender. The five to 10-day repurchase rate was unchanged at 9.0 p.c.

In Brussels the Belgian National Bank raised the interest rate on four-month paper, issued by the securities regulation fund, by 0.15 p.c. to 7.70 p.c.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.24) 3 months US dollars: bid 9¼ offer 9⅜ — 6 months US Dollars: bid 9⅜ offer 9½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

FINANCIAL FUTURES

Profit taking on short pound

SHORT STERLING futures finished weaker on the day on Liffe, as traders unwound long positions. Dealers said the taking out of long positions followed a leak on Monday about the CBI's quarterly industrial trends survey, and the level of mortgage commitments by the building societies.

As expected the CBI survey was less optimistic for business and export prospects than in October. It was also announced that building societies home loan commitments fell to the lowest level for nearly two years, at £2.2bn in December, compared with £3.5bn in November.

The gloomy report from the CBI, and the building societies figures, encouraged hopes that UK bank base rates have peaked, but also led to profit taking.

Short sterling futures for March delivery remained locked between support at 87.28 and resistance at 87.41. After a quiet day the contract finished at 87.35, unchanged from the opening level, and down from 87.38 at Monday's close.

US Treasury bonds were firmer on Liffe, rising to 90-30 for March delivery, from 90-18.

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE FT-SE INDEX FUTURES OPTIONS; LIFFE £/$ OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING; PHILADELPHIA SE £/$ OPTIONS; LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE): 20-YEAR 9% NOTIONAL GILT; 7-10 YEAR 9% NOTIONAL GILT; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE-MONTH STERLING; FT-SE 100 INDEX; THREE-MONTH EURODOLLAR; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; POUND-$ (FOREIGN EXCHANGE)

[illegible]

CHICAGO: U.S. TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); SWISS FRANC (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 38,480

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	NatWestminster	13
Adam & Company	13	Comm.Bk.N.East	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	14
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	12	Duncan Lawrie	13	Roxburghe G'rantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	13½	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	First National Bank Plc.	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co.	13	TSB	13
Bank Credit & Comm.	13	Robert Fraser & Ptrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh.	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	‡13.95		
Citibank NA	13	Mount Bnkg Corp.	13		
City Merchants Bank	13	Nat Bk. of Kuwait	13		

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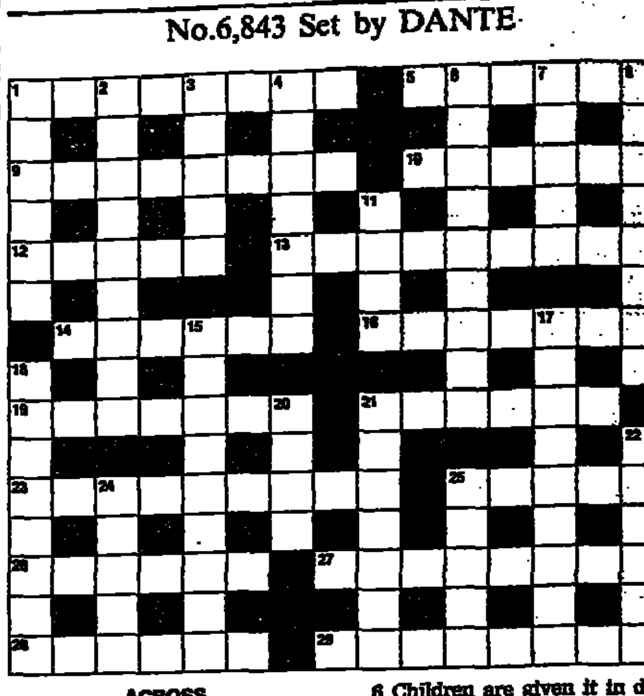
CROSSWORD

No.6,843 Set by DANTE



ACROSS
1 Possibly price a ring – to us it's invaluable (8)
5 A union measure (6)
9 Send a letter, but don't expect anything to come of it (5,3)
10 A small-holder in the fruit trade (6)
12 Peer found among the quality (5)
13 Raise cost somehow or get cut off (9)
14 Novel craft on the Trent (6)
16 Punish a favourite dog (7)
19 Bridge is a card game (7)
21 Girl out in coma (6)
23 A bad forecaster (9)
25 House doctor out, perhaps (5)
26 Highly decorated lid for a new dish (6)
27 I'm retiring into an easily managed residence (8)
28 Take cover when one is after a gangster (6)
29 Exploit at length, advantageously (8)

DOWN
1 Fine stuff we drop all over the place (6)
2 His tastes are refined and pure, a nice change (9)
3 I buy and sell to perfection (5)
4 Give the sack to a priest, outcome of fun and beat music? (7)
6 Children are given it in different forms (9)
7 I am repeatedly after information found in Arabian tales (5)
8 Begs for an adjustment in net rates (8)
11 Take some uniforms to wolf pack (4)
15 A girl getting into trouble for hero-worship, possibly (9)
17 Punishment escaped by unnamed soldiers (4-5)
18 Precise remedy (8)
20 Agrees to one result of decimal coinage (4)
21 Grassland mowed as ordered (7)
22 A heavenly model (6)
24 Kitty's capsized sailing boat (5)
25 He's taken to be a criminal (5)

Solution to Puzzle No.6,842

WORLD STOCK MARKETS

AUSTRIA

January 24	Sch	+ or −
Creditanstalt	2,060	+10
Goesser	3,190	+10
Interunfall	15,500	+1,100
Jungbunzlauer	10,500	+500
Laenderbank	370	+2
Perlmooser	680	−2
Reininghaus	922	+4
Semperit	205	+9
Steyr-Daimler	76	−3
Veitscher Mag	710	+21

BELGIUM/LUXEMBOURG

January 24	Frs.	+ or −
B.B.L.	3,500	—
Bank Intl. a Lux	13,600	—
Banque Gen. Du Lux	14,000	—
Banque Nat Belg	37,800	−650
Bekaert B	14,250	+200
Ciment CBR	6,990	+110
Cobepa	5,760	+190
Do. AFV 1	5,630	+130
Do. AFV 2	5,600	+20
Cockerill	348	+1
Colruyt	12,500	−475
Delhaize	5,050	−20
EBES	4,780	—
Do. AFV 1	4,700	+20
Do. AFV 2	4,705	+25
Fabrique Nat.	700	−8
GB Inno BM	1,408	+12
Do. AFV	1,414	—
GBL (BruxL)	4,090	+30
Do. AFV 1	4,045	—
Do. AFV 2	4,045	—
Do. AFV 3	4,045	—
Gechem	632	−38
Do. AFV	620	—
Generale Bank	6,500	+140
Do. AFV 1	6,600	+180
Do. AFV 2	6,800	−170
Gevaert	8,650	+250
Hoboken	14,300	+250
Do. AFV	14,000	—
Intercom	3,780	+60

[illegible]

FRANCE (continued)

January 24	Frs.	+ or −
Arjomari-Prioux	2,550	+64
AussiFrance d'Ent.	975	+15
BIC	826	−10
BSN	690	+10
Bancaire Cie	534	+8
BHP (Cert.Inv.)	310	—
Beghin-Say	596	−1
Do. Certs	400	—
Bongrain	3,200	+130
Bouygues	685	+12
Carnaud	606	+6
Carrefour	3,265	+40
Casino	212	+4
Cetelem	656	−19
Chargeurs	1,275	+19
Ciments Fr.	1,236	+4
Club Mediterranee	559	+7
Colimeg	335	+8
Coguff	347	—
CGE	411	—
Comtex	389	—
Cred Foncier Fr	868	+28
Credit National	1,095	+10
Dassault	3,288	−12
Docks de France	3,000	+75
Dollfus-Mieg	510	−5
Dumez S.A.	909	+49
Eaux (Cie Gen)	1,738	+28
Ecco	1,737	+10
Electrolux'fre	980	+25
Elf-Aquitaine	437	—
Do. Certs	369	+12
Essilor-Bertrand	1,199	+76
Essilor	3,875	+150
Eternit (Fin.)	3,097	+87
Euraf rance	1,760	+9
Eurocom	1,391	+6
Euromarche	2,800	+135
Exor	1,561	+141
Financial	202	+2
Fonciere Lyons	499	—
Fromageries	1,740	−5
GTM-Entrepose	970	−15
Gaumont (Soc Nl)	680	+5
Gen Geophysique	635	+32

[illegible]

CANADA

TORONTO

2pm prices January 24

Quotations in cents unless marked $.

[illegible]

INDICES

NEW YORK — DOW JONES

	Jan 23	Jan 20	Jan 19	Jan 18	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
♦Industrials	2218.39	2235.36	2239.29	2238.75	2239.29 (19/1/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.12	89.24	89.24	89.18	91.25 (3/3/88)	86.12 (4/1/88)	—	—
Transport	1012.48	1014.27	1020.91	1021.89	1021.89 (18/1/89)	757.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	189.31	190.02	190.37	190.73	190.73 (18/1/89)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2254.64 (2249.46) Low 2214.29 (2221.25)

STANDARD AND POOR'S	Jan 23	Jan 20	Jan 19	Jan 18	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite ‡	284.50	286.63	286.90	286.53	286.90 (19/1/89)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	328.83	331.41	331.87	331.56	331.87 (19/1/89)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	25.38	25.58	25.60	25.57	26.42 (20/10/88)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	160.13	161.16	161.25	161.01	161.25 (19/1/89)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	318.03	319.52	318.56	318.22	319.52 (20/1/89)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	389.99	391.66	391.08	388.88	394.77 (18/7/88)	331.97 (12/1/88)	456.28 (26/8/87)	54.87 (31/10/72)

	Jan 20	Jan 13	Jan 6	year ago (approx.)
Dow Industrial Div. Yield	3.59	3.60	3.66	3.64
	Jan 18	**Jan 11**	**Jan 5**	**year ago (approx.)**
S & P Industrial div. yield	3.13	3.15	3.17	3.17
S & P Indl. P/E ratio	13.30	13.09	12.97	15.69

TRADING ACTIVITY †Volume

Millions	Jan 23	Jan 20	Jan 19
New York	141.640	167.51	193.857
Amex	9.410	1.940	9.610
OTC	114.015	152.073	163.309

NEW YORK	Jan 23	Jan 20	Jan 19
Issues Traded	1,963	1,941	1,961
Rises	550	659	808
Falls	909	767	648
Unchanged	504	515	505
New Highs	51	73	107
New Lows	12	13	12

CANADA

TORONTO	Jan 23	Jan 20	Jan 19	Jan 18	1988/89 High	1988/89 Low
Metals & Minerals	3492.3	3526.9	3509.4	3493.5	3526.9 (20/1/89)	2238.7 (8/2/88)
Composite	3558.5	3573.4	3557.3	3532.2	3573.4 (20/1/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1780.37	1791.73	1793.63	1778.16	1793.63 (19/1/89)	1305.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Texas Eastern	2,778,500	48½	+ 1¼
Ford Motor	2,777,200	52¼	− ⅛
Boeing	2,162,400	58¾	− 1½
RJR Nabisco	2,114,200	94⅝	− ⅛
Chase Manhattan	1,873,600	31¾	− ¼
Texaco	1,671,000	54	− 1⅛
Oxy Pete	1,562,900	27⅞	+ ⅜
Caterpillar	1,511,100	59½	− ⅜
Maytag	1,408,400	20⅝	+ ¼
Am T & T	1,395,000	29⅞	—

Base values of all indices are 100 except NYSE All Common − 50; Standard and Poor's − 10; and Toronto Composite and Metals − 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

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TOKYO - Most Active Stocks

Tuesday 24 January 1989

	Stocks Traded	Closing Prices	Change on day
Mitsubishi Heavy Ind	69.6m	1,160	−10
Taisei	37.5m	1,380	+10
Nippon Yusen	36.5m	947	+27
Marubeni	35.3m	919	+5
C Itoh	30.4m	1,120	+40
Tobu Rail	30.3m	1,820	+60
Nishimatsu	22.8m	1,020	+10
Toshiba	17.9m	1,070	+20
Mitsui OSK	17.8m	806	+3
Mitsubishi Electric Co	17.2m	1,090	−10

3pm prices January 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27¾	17⅝	AAR	.44	1.7	18	z471	26	25½	25⅞	+ ⅛
10⅛	8⅞	ACM n	1.01	11.		45	9¼	9⅛	9¼	+ ⅛
12⅛	10¼	ACMIn	1.26a	12.		514	10⅞	10⅝	10⅝	– ⅛
10⅛	8½	ACM M	n.17e	1.8		103	9¼	9⅛	9¼	+ ⅛
12⅛	10⅞	ACM Sc	1.26	12.		731	10⅞	10⅝	10⅞	
10⅛	8½	ACMSp	n1.01a	11.		199	9⅛	8⅞	9⅛	+ ⅛
5⅛	2⅞	AMCA	.12e	3.4		85	3½	3⅜	3½	+ ⅛
6⅛	3⅜	AM Intl				389	6	4⅞	6	+ ⅛
23⅛	18¼	AM Int pf	2	9.1		15	21⅞	21⅞	21⅞	– ⅛
55⅞	33⅛	AMR			7	2643	54	52¾	53⅞	+ 1
24⅛	20⅞	ANR pf	2.12	8.7		341	24⅜	24	24⅜	+ ⅜
9½	5⅜	ARX			10	26	5⅞	5⅛	5⅞	
46⅛	35⅛	ASA	3a	7.4		571	41½	40⅝	40⅝	– ⅝
20⅛	12¾	AVX	.24	1.3	13	332	18½	18⅛	18½	+ ⅜
52⅞	42⅞	AbtLab	1.20	2.5	14	4066	47⅞	46¾	47¼	+ ⅝
20⅛	15⅜	Abitibi g	1			25	18¾	18¾	18¾	
13⅞	7½	AcmeC	.40	4.1		194	9⅞	9⅜	9⅞	+ ½
8⅞	5⅞	AcmeE	.32b	5.0	28	21	6⅜	6¼	6⅜	
28½	17½	Acuson			22	1450	22⅞	22	22⅞	+ ⅝
17	14½	AdaEx	1.82e	12.		221	14¾	14⅝	14¾	
18⅞	7⅛	AMD			77	3153	8¾	8½	8½	– ⅛
43½	28¾	AMD pf	3	9.5		16	31⅞	31⅝	31⅝	– ⅛
8½	5½	Adobe				136	7	6⅞	7	
18½	16⅞	Adob pf	1.84	11.		48	16¾	16¾	16¾	
21¾	20	Adob pf	2.40	12.		4	20½	20¼	20½	
9¾	6⅞	Advest	.12	1.5	18	169	8¼	7¾	8¼	+ ½
52½	38½	AetnLf	2.76	5.8	8	1341	48⅜	47¼	47⅞	+ ⅝
44½	24	AflPb s	.22	.6		1468	38⅝	38	38⅜	+ ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices January 24

OVER-THE-COUNTER

Nasdaq national market, 3pm prices January 24

AMERICA

Strong dollar helps Dow rebound

Wall Street

A STRONGER dollar and a positive reaction to remarks by Mr Alan Greenspan, chairman of the US Federal Reserve, about the central bank's resolve to fight inflation yesterday helped equities wipe out their late slump on Monday, *writes Janet Bush in New York.*

The Dow Jones Industrial Average started with modest gains, but buying gained momentum around midsession. By 2 pm, the index was quoted 35.18 points up at 2,253.57, the highest it has been since the October 1987 stock market crash. Volume was moderate with 106m shares changing hands by midsession.

One factor that clearly helped the market was the dollar, which rebounded from lows in the Far East partly due to Mr Greenspan's testimony before the House Banking Committee.

The dollar derived support from his tough comments on fighting inflation which were seen by foreign exchange dealers as suggesting that US interest rates will rise further.

Mr Greenspan said that current inflation rates were too high and must be brought down. He said that it was the Fed's judgment that the long-run costs of a return to higher inflation "and the risks of this occurring under current circumstances are sufficiently great that Federal Reserve policy at this juncture might well be advised to err more on the side of restrictiveness than of stimulus."

Although there was nothing particularly surprising about these remarks, they served to emphasise the Fed's desire to pre-empt a build-up of inflationary pressures.

His testimony counteracted remarks by Mr Leonhard Gleske, a director of the Bundesbank, that the West German central bank would prefer to see the dollar below DM1.80.

Among other remarks of interest yesterday to the equity market were those by Mr Nicholas Brady, US Treasury Secretary, in written testimony to the Senate Finance Committee. He urged Congress to consider proposals to relieve the double taxation of corporate dividends rather than to deny the interest deduction on debt in leveraged buy-outs.

Any relief of double taxation of dividends would clearly benefit the stock market.

The day began well for equities as prices looked cheap after the late fall on Monday which took the Dow more than 16 points lower. Some of that selling had been attributed to programmed selling and not for any fundamental reasons.

Blue chip issues led advancing stocks yesterday morning. International Business Machines jumped $1⅛ to $124, American Telephone & Telegraph rose $1⅛ to $30⅝, Dow Chemical added $1⅛ to $91⅛ and Eastman Kodak was up $⅜ at $46⅝.

Kemper gained $1⅛ to $26⅛ after the company boosted its quarterly dividend and announced plans to exchange a subsidiary for part of Lumbermens Mutual Casualty's 49 per cent stake. One broker raised its investment rating on Kemper and another boosted its earnings forecast.

Travelers Real Estate Investment Trust rose $1⅛ to $8⅛ and Travelers Realty Income Investors added $⅜ to $11⅞ on news that Keystone Group had agreed to acquire the trusts for $8.50 a share and $11.40 a share respectively.

In over-the-counter trading, Radiodics surged $5⅛ to $19⅞ after the company said it had agreed to be acquired by Expamant International of Britain for $20 a share.

Quaker Oats slumped $1⅛ to $53⅞ after disappointing results. The company announced fiscal second quarter earnings lower than a year ago when most analysts had expected stronger earnings.

La-Z Boy Chair sagged $⅞ to $17⅞ after saying its fiscal third quarter earnings were expected to be lower than a year ago.

Canada

GAINS on Wall Street were paralleled in Toronto, where share prices stood higher at midday. The composite index rose 7.3 to 3,565.9 on turnover of 14.5m shares.

Active industrials included Air Canada, steady at C$9⅞, and Canadian Pacific, up C$⅛ at C$22⅞. Stelco, which is repurchasing some of its stock, declined C$⅞ to C$24⅞.

Allergy to new Cats system fades

Tim Dickson reports on Brussels' first day of computerised trading

I HATE CATS stickers have been conspicuously sported on lapels in and around the Brussels Stock Exchange in recent weeks. However, as the Computer Assisted Trading System officially launched by the bourse yesterday ushered in a new era for the Belgian market, the overriding emotion among stockbrokers seemed to be one of grudging affection.

Cats is the continuous electronic trading system, the introduction of which marks the first of a series of planned structural measures designed to make Brussels more competitive with other European financial centres in the run-up to 1992.

Developed first by the Toronto Stock Exchange and already in use in Paris and Madrid, the system is intended to bring more transparency to stock pricing and to help bring back to the central market at least part of the growing volume of transactions now carried out by local banks or, as Mr Jean Peterbroeck, President of the Stock Exchange Commission, remarked pointedly yesterday, by institutions in London and elsewhere.

Overhauling old bourse image

By most accounts the first session for Cats passed without serious incident. Trade volumes for the three stocks for which prices are now available through its screens were reasonably high by recent standards. About 17,600 shares in GB-Inno-BM, Belgium's biggest retailer, changed hands, while turnover in Solvay, the chemicals group, exceeded 8,700 shares and in Tractebel, the energy and telecommunications group, was more than 4,600.

"It's been an experience," a representative of one of the larger broking firms reported cheerfully from his back office. "It seems to have worked better than the first day of the Big Bang in London," he added with a touch of smugness.

Local enthusiasm, however, was not shared by one London-based stockbroker who sharply criticised the "inadequate" quality of the information provided for outside users. "The brokers have a monopoly of the information on the system and others, like the local banks, are being kept in the dark. I've seen better attempts at introducing more transparency."

Inside the hugely impressive, if rather cavernous bourse itself, there was the usual quickening of activity on the floor before yesterday's 12.30 am opening of the so-called Forward Market, which will continue to operate an open outcry system with chalk and blackboard for some time.

The aim is to add about three stocks to Cats every fortnight, concentrating on Belgian companies this year and moving on to foreign shares in 1990, but there are no plans for the moment to automate the cash market (roughly 30 per cent of business).

Given this and the ambition of the authorities to develop floor-based options and futures trading on the exchange, there is no reason for the sentimentalists to suppose that Cats will quickly sweep away the old-fashioned desks and curious order forms which make corners of the bourse feel like a cross between a Victorian schoolroom and a branch of William Hill, the bookmakers.

Although there were some who clearly regretted the replacing of men with machines, most brokers yesterday seemed to be putting on a brave face. "We have to modernise," said the partner of one tiny firm.

The representative of a leading Antwerp-based firm observed: "The new system provides much better information and will offer far more possibilities to trade."

EUROPE

Perrier speculation puts the fizz back into France

REVIVED takeover talk in France and a recovery in sentiment in Germany helped prices pick up strongly, *writes Our Markets Staff.*

PARIS welcomed the start of the new account with a healthy rise, as takeover talk took Perrier sharply higher.

The drinks group was suspended after climbing by its maximum allowed amount, and then requoted, to finish FFr137 higher at FFr1,825. There were suggestions that it might merge with foods group BSN, FFr10 higher at FFr690, but BSN said the rumour was unfounded. It was also thought possible that Exor might be adding to its 32 per cent stake. Exor rose FFr141 to FFr1,561.

Maisons Phenix was strong again, adding FFr8.10 to FFr53.90 amid rumours, denied by Générale des Eaux, that the water company might be interested in selling its 42 per cent stake.

A strike by bourse employees meant no trading in options stocks. The OMF 50 index rose 2.14 to 458.22.

FRANKFURT recovered its nerve after drifting down for the past two sessions and selected stocks made strong gains in far more active trading. The FAZ index rose 5.42 to 556.63, virtually recouping the ground lost on Monday, and the DAX closed up 15.97 at 1,334.18. Turnover was a strong DM4.67bn.

Daimler made up DM7 to DM686 after losing DM31 in the last two sessions, while Porsche was off DM1 at DM625. Porsche said it expected much higher profits this year after a halving last year and announced it was holding its dividend. One analyst said the stock could become a speculative play as the growing cost of new model development raised the prospect that the controlling Quandt family might decide to sell.

Construction stocks were strong on the back of good order inflow and prospects of more commercial building activity, with Hochtief rising DM19 to DM684 and Holzmann up DM13 at DM643.

The asset theme was at work, with property management company IVG seeing its stock jump DM22 to DM357 for a two-day rise of 21 per cent on interest in the value of its holdings in Düsseldorf and the south. Retailer Karstadt, which owns a lot of city centre property, rose DM7 to DM431.

Siemens was up DM6.30 at DM532.80; it announced agreements with Westinghouse of the US on sales of circuit breakers and programmable logic controllers, used in factory automation and machinery.

ZURICH gained ground in slightly improved turnover as a burst of late buying took the Crédit Suisse index up 2.2 to 538. Expectations of good corporate results and improved dividends aided sentiment.

Jacobs Suchard, the confectioner, said in a press interview that it could quadruple profits and triple sales in the next few years, and its bearers rose SFr70 to SFr7,170. It also said there was no question of letting foreigners buy its registered shares as Nestlé had done, and that it hoped to list its bearers in London and perhaps Tokyo.

AMSTERDAM eased slightly despite a firmer dollar and a well-received pricing for the partial flotation of DSM, the state-owned chemicals group. The CBS tendency index closed 0.4 down at 162.9 in turnover said to be similar to Monday's Fl 433m.

The DSM pricing at Fl 108 was at the low end of expectations and pleased the bourse, where it will be listed on February 8. The share price reached Fl 114 in grey market trading before easing to Fl 112.50. Fellow chemical stock Akzo added Fl 1 to Fl 152.40 after lagging behind other internationals such as Royal Dutch and Unilever.

Fokker fell 60 cents to Fl 29.20 after saying it was not worried about the possible loss of a Fl 700m contract from *Wardair of Canada, which is* under takeover offer. VMF Stork, maker of printing and processing machinery, rose Fl 1.30 to Fl 29.90 on takeover speculation.

MILAN ended unchanged in continued thin turnover, with pockets of activity. The Comit index was steady at 604.19 in volume estimated below Monday's L170bn.

Fiat fell L50 to L9,900 before detailing its 1988 results.

STOCKHOLM resumed its climb to another high in afternoon trading after early profit-taking. A general reluctance to sell underpinned the market and the Affärsvärlden General index rose 1.3 to 1,046.6.

Volvo was driven higher, amid revived speculation it was adding to its stake in Pharmacia. Its free Bs gained SKr13 to SKr427, while Pharmacia shed SKr2 to SKr187.

OSLO was hit by the weaker oil price, with the all share *index shedding 3.42 to 393.12.* Trading was active, with turnover reaching NKr592m.

Saga Petroleum dropped NKr3 to NKr113 and Norsk Hydro lost NKr1.50 to NKr141. Norsk Data free B shares fell NKr1 to NKr42 before the company announced a heavy loss for 1988 – its first ever – and a 20 per cent cut in its workforce. Later in London the stock gained ground on what one salesman said was the feeling that it would turn around this year.

HELSINKI benefited further from new overseas interest, closing higher in active trade. The Unitas all share index put on 1.2 to 748.0.

Demand for blocks as large as 500,000 shares was reported in London, but there were also sellers of packages of about 200,000 shares, according to one salesman. Demand was from new investors, while selling came from smaller institutions, who might have had their fingers burnt in a frothy Finland in the past, he said.

BRUSSELS gained ground on demand for chemicals, with the cash index adding 35.3 to 5,742.7.

SOUTH AFRICA

A WEAKER financial rand and firm bullion price fuelled *further demand for quality stocks* in Johannesburg, where gold shares shone. Vaal Reefs *added R8 to R297.*

ASIA PACIFIC

Nikkei hits record high as oil prices weaken

Tokyo

THE RELIEF with which investors greeted a weakening in oil prices and a rebound in the yen against the dollar quickly turned into bullish buying which sent share prices surging to another record high, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average gained *momentum throughout the* day, finishing the day up 224.80 at a record 31,557.68. Broad-based buying saw 603 rises against 340 falls, with 140 issues unchanged.

Turnover at 1.36bn shares was larger than the 1.02bn traded on Monday but not hectic enough to raise concern about overheating. The Topix index saw a hefty 20.57 point gain, finishing at 2,460.92 and the ISE/Nikkei 50 index in London later rose 8.62 to 1,994.46.

The Japanese market's current sensitivity to external factors has been mirrored in the past few sessions, which have seen share prices slump in the face of rising interest rates, a weaker yen and higher crude oil prices.

Conversely, the yen's strength and the lower price of West Texas Intermediate in New York yesterday, which was taken as a sign that oil prices might have hit a ceiling for now, quickly sent share prices rebounding. The feeling was that investors had been waiting for an opportunity to resume active buying.

The generally bullish tone of the market has led to "circular" buying, where investors move from sector to sector, including those related to specific themes that have affected the market recently and those that have underperformed or been neglected for a while. Stocks that rise to new highs tend to suffer quick profit-taking.

Mitsubishi Heavy Industries, for example, which had gained considerably from its position as the leading defence contractor and its role in the aerospace industry, lost Y10 to Y1,190. It was again the top volume issue with 69.6m shares traded.

Construction companies, which had risen as beneficiaries of fiscal spending, advanced again although they seemed to be losing their momentum. Taisei Construction, second on the most actives list at 37.5m shares, firmed Y10 to Y1,380.

Utility companies featured on the strength of lower oil *prices and a stronger yen.* Tokyo Electric Power gained Y250 to Y7,430 and Kansai *Electric Power advanced Y210* to Y5,500.

Regional utilities such as *Chugoku Electric Power,* which added Y350 to Y4,310, were favoured as lagging the main city utilities.

Trading companies were sought on better earnings prospects as investors expect improved economic relations with communist countries to boost trade. Brokers were also said to be selecting trading companies because they trade in large volume and generate considerable profit. C. Itoh and Mitsui & Co. both advanced Y40 to Y1,120 and Y1,110 respectively.

Nippon Yusen, the shipping company, featured on better earnings prospects due to the sale of liners on unprofitable routes. Investors were also attracted by its plans to go into the luxury passenger liner *business. Nippon Yusen* was the third most actively traded stock with 35.5m shares and *rose Y27 to Y947.*

In Osaka, interest in domestic-demand related issues helped raise the OSE average 112.54 points to 29,562.88. Turnover increased to 151m from 100m on Monday.

Roundup

RENEWED foreign buying helped Australia higher, while Hong Kong managed to pass the 9,000 level on the Hang Seng index in spite of lingering worries over today's land auction.

AUSTRALIA reversed a weak *start to* end higher as firmer metal prices buoyed overseas demand. The All Ordi*naries index rose 2.1 to 1,525.3.*

In industrials, Lend Lease rose 20 cents to A$11.15 after *news that its subsidiary, MLC,* had abandoned its takeover offer for the Australian Bank. Elders IXL saw further foreign demand, adding 2 cents to A$2.94 on turnover of 3.42m shares.

Turnover eased from Monday's level, reaching 92.4m shares worth A$192m.

HONG KONG ended higher after fluctuating throughout the session, as bargain-hunters waded in when prices fell. The Hang Seng moved between 2,872.35 and 2,902.01, finishing up 3.50 at 2,901.03.

Turnover reached HK$1.23bn in value against Monday's HK$1.01bn, with investors still cautious before today's government land auction.

Hongkong Land topped the most actives list, moving above HK$10 in price. It added 30 cents to HK$10.20 on turnover worth HK$126.6m. Cheung Kong, second most active, was unchanged at HK$9.20, while *its associate, Hutchison, lost* 5 cents to HK$9.45.

SINGAPORE *fell back on* renewed concern over the health of Mr Mahathir Mohamad, the Malaysian Prime Minister, after news of his coronary bypass operation. The Straits Times industrial index closed off 8.32 at 1,087.68. Turnover fell to 37m shares from Monday's 46.5m.

WELLINGTON benefited from a further fall in domestic interest rates and the New Zealand dollar, with the Barclays index making its biggest rise of the year. It gained 32.25 to 1,953.77, as investors shrugged off last week's collapse of Equiticorp International.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 23 1989					FRIDAY JANUARY 20 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (90)	151.44	+0.5	126.60	114.98	4.67	150.68	126.32	114.70	152.31	91.16	100.39
Austria (18)	96.42	+1.4	80.60	92.11	2.67	95.07	79.70	91.30	100.00	83.72	89.15
Belgium (63)	133.96	+0.4	111.98	127.85	3.93	133.37	111.81	127.62	139.89	99.14	104.08
Canada (126)	132.47	-0.7	110.74	114.01	3.20	133.42	111.85	114.77	133.42	107.06	109.50
Denmark (39)	157.81	-0.2	131.93	153.09	1.98	158.10	132.54	153.96	161.60	111.42	112.33
Finland (26)	133.46	+0.7	111.56	119.45	1.46	132.54	111.11	118.66	139.83	106.78	109.71
France (131)	116.07	-0.3	97.03	113.93	2.85	116.43	97.61	114.70	117.51	72.77	74.56
West Germany (102)	85.08	-0.3	71.13	81.30	2.32	85.38	71.58	81.83	90.40	67.78	69.50
Hong Kong (46)	120.03	-0.2	100.34	120.17	4.11	120.28	100.84	120.45	120.91	84.90	91.43
Ireland (18)	133.69	+1.4	111.76	129.25	3.90	131.80	110.49	127.85	144.25	104.60	112.90
Italy (98)	84.35	-1.3	70.51	84.85	2.37	85.43	71.62	86.19	86.88	62.99	70.11
Japan (456)	193.75	+1.0	161.97	156.52	0.48	191.84	160.83	155.52	197.43	133.61	147.02
Malaysia (36)	150.25	+0.1	125.60	157.19	2.71	150.04	125.78	157.41	154.17	107.83	119.87
Mexico (13)	163.43	+1.4	136.62	408.74	1.25	161.12	135.07	404.91	182.24	90.07	124.96
Netherland (38)	114.88	+0.7	96.03	108.80	4.54	114.04	95.61	108.27	114.88	95.23	95.82
New Zealand (24)	69.92	-1.7	58.45	59.63	6.60	71.13	59.63	59.85	84.05	63.32	76.18
Norway (26)	159.37	+0.4	133.23	144.56	1.88	158.79	133.12	144.62	159.67	98.55	103.91
Singapore (26)	133.48	+0.3	111.58	119.42	2.23	133.11	111.59	119.13	135.89	97.99	105.57
South Africa (60)	124.32	-1.5	103.93	105.54	4.38	126.17	105.77	105.07	139.07	98.26	130.46
Spain (42)	148.53	-0.8	124.17	128.56	3.25	149.68	125.48	130.12	164.47	130.73	136.60
Sweden (35)	146.83	+0.5	122.74	136.28	2.10	146.12	122.50	136.11	146.97	96.92	104.65
Switzerland (57)	77.64	+1.2	64.91	74.97	2.26	76.75	64.34	74.58	86.75	74.13	77.47
United Kingdom (314)	142.22	+0.7	118.89	118.89	4.55	141.27	118.43	118.43	142.22	120.66	129.01
USA (570)	115.76	-0.7	96.77	115.76	3.62	116.55	97.71	116.55	116.68	99.19	102.91
Europe (1007)	116.78	+0.2	97.62	105.14	3.59	116.52	97.68	105.24	116.78	97.01	99.19
Nordic (126)	143.04	+0.3	119.58	129.84	1.97	142.66	119.60	129.93	–	–	–
Pacific Basin (678)	188.96	+0.9	157.96	153.19	0.70	187.18	156.92	152.26	192.26	130.81	143.08
Euro-Pacific (1685)	160.06	+0.7	133.81	134.13	1.56	158.90	133.21	133.60	161.61	120.36	125.54
North America (696)	116.67	-0.7	97.53	115.69	3.59	117.46	98.47	116.48	117.56	99.78	103.26
Europe Ex. UK (693)	100.88	-0.1	84.33	96.76	2.82	101.02	84.69	97.23	102.91	80.27	80.73
Pacific Ex. Japan (222)	131.55	+0.1	109.97	111.06	4.41	131.36	110.12	111.00	131.55	87.51	95.52
World Ex. US (1884)	158.75	+0.7	132.71	133.31	1.63	157.69	132.20	132.82	160.10	120.26	125.05
World Ex. UK (2140)	142.25	+0.2	118.92	128.28	1.99	141.93	118.98	128.25	143.47	111.77	115.25
World Ex. So. Af. (2394)	142.35	+0.3	119.00	127.53	2.21	141.95	119.00	127.46	143.13	113.26	116.37
World Ex. Japan (1998)	117.45	-0.3	98.18	111.99	3.64	117.83	98.78	112.46	117.83	100.00	101.82
The World Index (2454)	142.24	+0.3	118.90	127.38	2.22	141.86	118.92	127.31	142.98	113.37	116.46

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).

Latest prices were unavailable for this edition.